

BEAR STEARNS COMPANIES INC  
Form 424B5  
November 13, 2006

**Filed pursuant to Rule 424(b)5**  
**Registration No. 333-136666**

This preliminary pricing supplement relates to an effective registration statement under the Securities Act of 1933, but is not complete and may be changed. We may not sell these securities until we deliver a final pricing supplement. This preliminary pricing supplement and the accompanying prospectus supplement and prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where such an offer or sale would not be permitted.

Subject to Completion, dated November 10, 2006  
**PRICING SUPPLEMENT**  
(To Prospectus Dated August 16, 2006 and  
Prospectus Supplement Dated August 16, 2006)

**The Bear Stearns Companies Inc.**

**\$ [ ] Accelerated Market Participation Securities**

Linked to the ISE-CCM Homeland Security Index, Due May [ ], 2008

· The Notes are linked to the performance of the ISE-CCM Homeland Security Index (the “Index”) and are not principal protected. When we refer to Notes in this pricing supplement, we mean Notes with a principal amount of \$1,000. On the Maturity Date you will receive the Cash Settlement Value, an amount in cash that depends upon the relation of the Final Index Level to the Initial Index Level.

- If, at maturity, the Final Index Level is greater than or equal to the Initial Index Level, we will pay you the principal amount of the Notes, plus the lesser of:
- 150.00% of the percentage increase in the Index multiplied by the principal amount of the Notes, and
- [20.00-22.00]% (the maximum return on the Notes) multiplied by the principal amount of the Notes.

Thus, if the Final Index Level is greater than [113.3333-114.6667]% of the Initial Index Level, regardless of the extent to which the Final Index Level is greater than the Initial Index Level, we will pay you \$[1,200.00-1,220.00] per Note, which represents a maximum return of [20.00-22.00]%.

- If, at maturity, the Final Index Level is less than the Initial Index Level, you will receive less, and possibly significantly less, than the principal you invested. In this case, we will pay you, per Note:
- \$1,000 multiplied by an amount, in percentage terms, equal to the Final Index Level divided by the Initial Index Level.

· The CUSIP number for the Notes is [073928S20].

INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. THERE MAY NOT BE A SECONDARY MARKET IN THE NOTES, AND IF THERE WERE TO BE A SECONDARY MARKET, IT MAY NOT BE LIQUID. YOU SHOULD REFER TO “RISK FACTORS” BEGINNING ON PAGE PS-9.

["ISE" and "HSX"] are trademarks of the International Securities Exchange ("ISE") and have been licensed for use for certain purposes by The Bear Stearns Companies Inc. The Notes are not sponsored, endorsed, sold or promoted by the ISE, and the ISE makes no representation regarding the advisability of investing in the Notes.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Notes or determined that this pricing supplement, or the accompanying prospectus supplement and prospectus, is truthful or complete. Any representation to the contrary is a criminal offense.**

	Per Note	Total
Initial public offering price	[100.00]%	\$[ ]
Agent's discount	[ ]%	\$[ ]
Proceeds, before expenses, to us	[ ]%	\$[ ]

Any additional reissuances will be offered at a price to be determined at the time of pricing of each offering of Notes, which will be a function of the prevailing market conditions and Index Level at the time of the relevant sale.

We may grant Bear, Stearns & Co. Inc. a 30-day option from the date of this pricing supplement to purchase from us up to an additional \$[ ] of Notes at the public offering price to cover any over-allotments.

We expect that the Notes will be ready for delivery in book-entry form only through the book-entry facilities of The Depository Trust Company in New York, New York, on or about November [ ], 2006, against payment in immediately available funds. The distribution of the Notes will conform to the requirements set forth in Rule 2720 of the National Association of Securities Dealers, Inc. Conduct Rules.

---

**Bear, Stearns & Co. Inc.**

November [ ], 2006

---

## SUMMARY

*This summary highlights selected information from the accompanying prospectus and prospectus supplement and this pricing supplement to help you understand the Notes linked to the Index. You should carefully read this entire pricing supplement and the accompanying prospectus supplement and prospectus to fully understand the terms of the Notes, as well as certain tax and other considerations that are important to you in making a decision about whether to invest in the Notes. You should carefully review the section “Risk Factors” in this pricing supplement and “Risk Factors” in the accompanying prospectus supplement which highlight a number of significant risks, to determine whether an investment in the Notes is appropriate for you. All of the information set forth below is qualified in its entirety by the more detailed explanation set forth elsewhere in this pricing supplement and the accompanying prospectus supplement and prospectus. If information in this pricing supplement is inconsistent with the prospectus or prospectus supplement, this pricing supplement will supersede those documents. In this pricing supplement, the terms “Company,” “we,” “us” and “our” refer only to The Bear Stearns Companies Inc. excluding its consolidated subsidiaries.*

The Bear Stearns Companies Inc. Medium-Term Notes, Series B, Accelerated Market Participation Securities (“AMPS”), Linked to the ISE-CCM Homeland Security Index (the “Index”), due May [\_\_\_], 2008 (the “Notes”) are Notes whose return is tied or “linked” to the performance of the Index. When we refer to Note or Notes in this pricing supplement, we mean \$1,000 principal amount of Notes. The Notes are not principal protected. On the Maturity Date you will receive the Cash Settlement Value, an amount in cash that depends upon the relation of the Final Index Level to the Initial Index Level. If, at maturity, the Final Index Level is greater than or equal to the Initial Index Level, we will pay you the principal amount of the Notes, plus the lesser of (i) 150.00% of the percentage increase in the Index multiplied by the principal amount of the Notes, and (ii) [20.00-22.00]% (the maximum return on the Notes) multiplied by the principal amount of the Notes. Thus, if the Final Index Level is greater than [113.3333-114.6667]% of the Initial Index Level, regardless of the extent to which the Final Index Level is greater than the Initial Index Level, we will pay you \$[1,200.00-1,220.00] per Note, which represents a maximum return of [20.00-22.00]%. If, at maturity, the Final Index Level is less than the Initial Index Level, you will receive less, and possibly significantly less, than the original public offering price of \$1,000 per each \$1,000 principal amount of Notes. In this case, we will pay you \$1,000 multiplied by an amount, in percentage terms, equal to the Final Index Level divided by the Initial Index Level.

### Selected Investment Considerations

- Growth potential—The return, if any, on the Notes is based upon whether the Final Index Level is greater than or equal to the Initial Index Level.
- Potential leverage in the increase, if any, in the Index—The Notes may be an attractive investment for investors who have a bullish view of the Index in the short-term. If held to maturity, the Notes allow you to participate in 150.00% of the potential increase in the Index, not to exceed the maximum return of [20.00-22.00]%, representing a [13.3333-14.6667]% increase in the Initial Index Level.
- Diversification—Because the Index attempts to track the Homeland Security Sector of the U.S. security markets, the Notes may allow you to diversify an existing portfolio.
- Taxes—The U.S. federal income tax consequences of an investment in the Notes are complex and uncertain. We intend to treat the Notes for all tax purposes as pre-paid cash-settled forward contracts linked to the value of the Index and, where required, to file information returns with the Internal Revenue Service in accordance with such treatment. Prospective investors are urged to consult their tax advisors regarding the U.S. federal income tax consequences of an investment in the Notes. Assuming the Notes are treated as pre-paid cash-settled forward contracts, you should be required to recognize capital gain or loss to the extent that the cash you receive on the

Maturity Date or upon a sale or exchange of the Notes prior to the Maturity Date differs from your tax basis on the Notes (which will generally be the amount you paid for the Notes).

PS-2

---

## Selected Risk Considerations

- Possible loss of principal—The Notes are not principal protected. If the Final Index Level is less than the Initial Index Level, there will be no principal protection on the Notes and the Cash Settlement Value you will receive will be less than the initial offering price in proportion to the percentage decline in the Index. In that case, you will receive less, and possibly significantly less, than the original public offering price of \$1,000.
- Maximum return of [20.00-22.00]%—You will not receive more than the maximum return of [20.00-22.00]% at maturity. Because the maximum return on the Notes is [20.00-22.00]%, the maximum Cash Settlement Value is \$[1,200.00-1,220.00]. Therefore, the Cash Settlement Value will not reflect the increase in the value of the Notes if the Initial Index Level increases by more than [13.3333-14.6667]%.
- No current income — We will not pay any interest on the Notes. The yield on the Notes therefore may be less than the overall return you would earn if you purchased a conventional debt security at the same time and with the same maturity.
- No dividend or other payments—You will not receive any dividend payments or other distributions on the stocks underlying the Index, nor will such payments be included in the calculation of the Cash Settlement Value you will receive at maturity.
- Not exchange listed—The Notes will not be listed on any securities exchange and we do not expect a trading market to develop, which may affect the price that you receive for your Notes upon any sale prior to maturity.
- The Notes are subject to equity market risks — Equity securities are susceptible to general equity market fluctuations and to volatile increases and decreases in value. Performance of the equity securities comprising the Index (each, a “Component”) may be affected by a variety of factors, including the occurrence or non-occurrence of terrorist attacks or any change in spending by the Department of Homeland Security, other state or federal agencies or the private sector on domestic security and the prevention of terrorist attacks. The Components are not equally weighted and may not move in tandem. Increases in one or more Components therefore may be offset by decreases in one or more other Components.
- Liquidity—Because the Notes will not be listed on any securities exchange, we do not expect a trading market to develop, and, if such a market were to develop, it may not be liquid. Our subsidiary, Bear, Stearns & Co. Inc. (“Bear Stearns”) has advised us that they intend under ordinary market conditions to indicate prices for the Notes on request. However, we cannot guarantee that bids for outstanding Notes will be made in the future; nor can we predict the price at which those bids will be made. In any event, Notes will cease trading as of the close of business on the Maturity Date.

## KEY TERMS

**Issuer:** The Bear Stearns Companies Inc.

**Index:** ISE-CCM Homeland Security Index (ticker "HSX"), as published by ISE (the "Sponsor").

**Face amount:** Each Note will be issued in minimum denominations of \$1,000 and \$1,000 multiples thereafter; provided, however, that the minimum purchase for any purchaser domiciled in a Member state of the European Economic Area shall be \$100,000. The aggregate principal amount of the Notes being offered is \$[\_\_\_]. When we refer to Note or Notes in this pricing supplement, we mean Notes with a principal amount of \$1,000.

**Further issuances:** Under certain limited circumstances, and at our sole discretion, we may offer further issuances of the Notes. These further issuances, if any, will be consolidated to form a single series with the Notes and will have the same CUSIP number and will trade interchangeably with the Notes immediately upon settlement.

**Cash Settlement Value:** On the Maturity Date you will receive the Cash Settlement Value, an amount in cash that depends upon the relation of the Final Index Level to the Initial Index Level. If, on the Calculation Date, the Final Index Level is greater than or equal to the Initial Index Level, we will pay you the principal amount of the Notes, plus the lesser of:

, and

\$[200.00-220.00].

Thus, if the Final Index Level is greater than [113.3333-114.6667]% of the Initial Index Level, regardless of the extent to which the Final Index Level is greater than the Initial Index Level, we will pay you \$[1,200.00-1,220.00] per Note, which represents a maximum return of [20.00-22.00]%.

If, on the Calculation Date, the Final Index Level is less than the Initial Index Level, you will receive less, and possibly significantly less, than the principal you invested. In this case, we will pay you, per Note:

**Interest:** The Notes will not bear interest.

**Index Closing Level:** The closing level of the Index on each Index Business Day.

**Initial Index Level:** Equals [\_\_\_], the closing level of the Index on November [\_\_\_], 2006.

**Final Index Level:** Will be determined by the Calculation Agent and will equal the closing level of the Index on April [\_\_\_], 2007, the Calculation Date. If that day is not an Index Business Day, the next Index Business Day will be the Calculation Date.

**Maturity Date:** The Notes will mature on May [\_\_\_], 2008.

**Exchange listing:** The Notes will not be listed on any securities exchange.

**Index Business Day:** Will be a day, as determined by the Calculation Agent, on which the Index or any Successor Index is calculated and published and on which securities comprising more than 80% of the value of the Index on such day are capable of being traded on the relevant exchanges. All determinations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will be conclusive for all purposes and binding on us and the beneficial owners of the Notes, absent manifest error.

PS-4

---

Offers and sales of the Notes are subject to restrictions in certain jurisdictions. The distribution of this pricing supplement, the accompanying prospectus supplement and prospectus and the offer or sale of the Notes in certain other jurisdictions may be restricted by law. Persons who come into possession of this pricing supplement, and the accompanying prospectus supplement and prospectus or any Notes must inform themselves about and observe any applicable restrictions on the distribution of this pricing supplement, the accompanying prospectus supplement and prospectus and the offer and sale of the Notes. Notwithstanding the minimum denomination of \$1,000, the minimum purchase for any purchaser domiciled in a member state of the European Economic Area shall be \$100,000.

## **Questions and Answers**

### **What are the Notes?**

The Notes are a series of our senior debt securities, the value of which is linked to the performance of the Index. The Notes will not bear interest, and no other payments will be made prior to maturity. See the section “Risk Factors.”

The Notes will mature on May [\_\_\_], 2008. The Notes do not provide for earlier redemption. When we refer to Notes in this pricing supplement, we mean Notes with a principal amount of \$1,000. You should refer to the section “Description of Notes.”

### **Are the Notes equity or debt securities?**

The Notes are our unsecured debt securities. However, the Notes differ from traditional debt securities in that the Notes are not principal protected and offer the opportunity to participate in 150.00% of the positive performance of the Index, if any, with a maximum return of [20.00-22.00]%. If, at maturity, the Final Index Level is less than the Initial Index Level, you will receive less, and possibly significantly less, than the original public offering price of \$1,000 per each \$1,000 principal amount of Notes.

### **What will I receive at maturity of the Notes?**

Your investment may result in a loss because the Notes are not principal protected. On the Maturity Date you will receive the Cash Settlement Value, an amount in cash that depends upon the relation of the Final Index Level to the Initial Index Level. At maturity, if the Final Index Level is less than the Initial Index Level, the Cash Settlement Value will be less than the initial offering price in proportion to the percentage decline in the Index. In such a case, the principal amount of your investment is not protected and you will receive less, and possibly significantly less, than the initial public offering price of \$1,000 per Note.

If, on the Calculation Date, the Final Index Level is greater than or equal to the Initial Index Level, we will pay you the principal amount of the Notes, plus the lesser of:

, and

[\$200.00-220.00].

Thus, if the Final Index Level is greater than [113.3333-114.6667]% of the Initial Index Level, regardless of the extent to which the Final Index Level is greater than the Initial Index Level, we will pay you \$[1,200.00-1,220.00] per Note, which represents a maximum return of [20.00-22.00]%.

If, on the Calculation Date, the Final Index Level is less than the Initial Index Level, you will receive less, and possibly significantly less, than the principal you invested. In this case, we will pay you, per Note:



PS-5

---

The “Index Closing Level” equals the closing level of the Index on each Index Business Day.

The “Initial Index Level” equals [\_\_\_], the closing level of the Index on November [\_\_\_], 2006.

The “Final Index Level” will be determined by the Calculation Agent and will equal the closing level of the Index on May [\_\_\_], 2008, the Calculation Date. If that day is not an Index Business Day, the next Index Business Day will be the Calculation Date.

The “Maturity Date” of the Notes is May [\_\_\_], 2008.

An “Index Business Day” will be a day, as determined by the Calculation Agent, on which the Index or any Successor Index is calculated and published and on which securities comprising more than 80% of the value of the Index on such day are capable of being traded on their relevant exchanges. All determinations made by the Calculation Agent will be at the sole discretion of the Calculation Agent, and will be conclusive for all purposes and binding on us and the beneficial owners of the Notes, absent manifest error.

For more specific information about the Cash Settlement Value and for illustrative examples, you should refer to “Description of the Notes.”

#### **Will there be additional offerings of the Notes?**

Under certain limited circumstances, and at our sole discretion, we may offer further issuances of the Notes. These further issuances, if any, will be consolidated to form a single series with the Notes and will have the same CUSIP number and will trade interchangeably with the Notes immediately upon settlement. Any additional issuance will increase the aggregate principal amount of the outstanding Notes of this series to include the aggregate principal amount of any Notes bearing the same CUSIP number that are issued pursuant to (i) any 30-day option we grant to Bear, Stearns & Co. Inc., and (ii) any future issuances of Notes bearing the same CUSIP number. The price of any additional offerings will be determined at the time of pricing of each offering, which price will be a function of the prevailing market conditions and level of the Index at the time of the relevant sale.

#### **Are the Notes principal protected?**

No. The Notes are not principal protected and your principal investment in the Notes is at risk of loss. If the Final Index Level is less than the Initial Index Level, the Cash Settlement Value you will receive will be proportionally less than the initial offering price, in proportion to the percentage decline in the Index. In this case your investment will result in a loss.

#### **Will I receive interest on the Notes?**

You will not receive any interest payments on the Notes, but will instead receive the Cash Settlement Value upon maturity of the Notes.

#### **What is the Index?**

Unless otherwise stated, all information on the Index that is provided in this pricing supplement is derived from the Sponsor or other publicly available sources. The Index is published by the Sponsor and is intended to track the Homeland Security Sector.

As of November 8, 2006 the Index was comprised of: (i) 25 Components traded on the New York Stock Exchange (“NYSE”) representing 95.89% of the Aggregate Market Value; (ii) four Components representing traded on the American Stock Exchange (“AMEX”), representing 1.86% of the Aggregate Market Value; and (iii) one Component traded on NASDAQ representing 2.36% of the Aggregate Market Value.

The Sponsor has indicated that it chooses companies for inclusion in the Index with the aim of achieving an accurate and pure representation of the performance of securities of companies that are directly involved with Homeland Security (as defined in “the Description of the Index”), either through contractual work with the Department of Homeland Security or other law enforcement-government agencies, or through the provision of products and/or services that meet the needs of Homeland Security. For more information, see the section “Description of the Index.”

PS-6

---

### **How has the Index performed historically?**

We have provided tables and graphs depicting the monthly performance of the Index from December 1999 through October 2006. You can find these tables and graphs in the section “Description of the Index - Historical Data on the Index.” We have provided this historical information to help you evaluate the behavior of the Index in various economic environments; however, past performance is not indicative of the manner in which the Index will perform in the future. You should refer to the section “Risk Factors - The historical performance of the Index is not an indication of the future performance of the Index.”

### **Will the Notes be listed on a securities exchange?**

The Notes will not be listed on any securities exchange and we do not expect a trading market to develop, which may affect the price that you receive for your Notes upon any sale prior to maturity. Bear Stearns has advised us that they intend under ordinary market conditions to indicate prices for the Notes on request. However, we cannot guarantee that bids for outstanding Notes will be made in the future; nor can we predict the price at which any such bids will be made. In any event, the Notes will cease trading as of the close of business on the Maturity Date. You should refer to the section “Risk Factors.”

### **What is the role of Bear Stearns?**

Bear Stearns will be our agent for the offering and sale of the Notes. After the initial offering, Bear Stearns intends to buy and sell the Notes to create a secondary market for holders of the Notes, and may stabilize or maintain the market price of the Notes during the initial distribution of the Notes. However, Bear Stearns will not be obligated to engage in any of these market activities or to continue them once they are begun.

Bear Stearns also will be our Calculation Agent for purposes of calculating the Cash Settlement Value. Under certain circumstances, these duties could result in a conflict of interest between Bear Stearns’ status as our subsidiary and its responsibilities as Calculation Agent. Bear Stearns is obligated to carry out its duties and functions as Calculation Agent in good faith, and using its reasonable judgment. Manifest error by the Calculation Agent, or any failure by it to act in good faith, in making a determination adversely affecting the payment of the Cash Settlement Value or interest on principal to the Holders of the Notes would entitle the Holders, or the Trustee acting on behalf of the Holders, to exercise rights and remedies available under the Indenture. If the Calculation Agent uses its discretion to make a determination, the Calculation Agent will notify the Company and the Trustee, who will provide notice to the Holders. You should refer to “Risk Factors - The Calculation Agent is one of our affiliates, which could result in a conflict of interest.”

### **Can you tell me more about The Bear Stearns Companies Inc.?**

We are a holding company that, through our broker-dealer and international bank subsidiaries, principally Bear Stearns, Bear, Stearns Securities Corp., Bear, Stearns International Limited (“BSIL”) and Bear Stearns Bank plc, is a leading investment banking, securities and derivatives trading, clearance and brokerage firm serving corporations, governments, institutional and individual investors worldwide. For more information about us, please refer to the section “The Bear Stearns Companies Inc.” in the accompanying prospectus. You should also read the other documents we have filed with the SEC, which you can find by referring to the section “Where You Can Find More Information” in the accompanying prospectus.

### **Who should consider purchasing the Notes?**

Because the Notes are tied to the price performance of an underlying equity index, they may be appropriate for investors with specific investment horizons who seek to participate in the potential price appreciation of the

underlying stocks comprising the Index. In particular, the Notes may be an attractive investment for investors who:

- want potential upside exposure to the Components underlying the Index;

PS-7

---

- believe that the Index will increase over the term of the Notes and that such increase will not exceed [20.00-22.00]%;
- understand that the Components may not move in tandem and that increases in one or more Components may be offset by decreases in one or more other Components;
- are willing to risk the possible loss of 100% of their investment in exchange for the opportunity to participate in 150.00% of the appreciation, if any, in the Index (up to the maximum return of [20.00-22.00]%), and
  - are willing to forgo interest payments or dividend payments on the stocks underlying the Index.

The Notes may not be a suitable investment for you if:

- you seek full principal protection under all market conditions;
- you seek current income or dividend payments from your investment;
- you seek an investment that offers the possibility to fully participate in the potential appreciation of the Index;
- you seek an investment with an active secondary market;
- you are unable or unwilling to hold the Notes until maturity; or
- you do not have a bullish view of the Index over the term of the Notes.

#### **What Are the U.S. federal income tax consequences of investing in the Notes?**

The U.S. federal income tax consequences of an investment in the Notes are complex and uncertain. We intend to treat the Notes for all tax purposes as pre-paid cash-settled forward contracts linked to the value of the Index and, where required, to file information returns with the Internal Revenue Service in accordance with such treatment. Prospective investors are urged to consult their tax advisors regarding the U.S. federal income tax consequences of an investment in the Notes. Assuming the Notes are treated as pre-paid cash-settled forward contracts, you should be required to recognize capital gain or loss to the extent that the cash you receive on the Maturity Date or upon a sale or exchange of the Notes prior to the Maturity Date differs from your tax basis on the Notes (which will generally be the amount you paid for the Notes). You should review the discussion under the section “Certain U.S. Federal Income Tax Considerations.”

#### **Does ERISA impose any limitations on purchases of the Notes?**

Investors subject to Section 406 of the Employee Retirement Income Security Act of 1974, as amended, Section 4975 of the Internal Revenue Code of 1986, as amended or to any federal, state or local law materially similar to the foregoing provisions should carefully consider, among other things, the matters set forth in “Certain ERISA Considerations” herein.

#### **Are there any risks associated with my investment?**

Yes. The Notes are subject to a number of risks. You should refer to “Risk Factors” in this pricing supplement and “Risk Factors” in the accompanying prospectus supplement.

PS-8

---

## **RISK FACTORS**

Your investment in the Notes involves a degree of risk similar to investing in the securities comprising the Index. However, your ability to participate in the appreciation of the Index is limited to the maximum return on the Notes of [20.00-22.00]%. Therefore, the maximum Cash Settlement Value is \$[1,200.00-1,220.00] and the Cash Settlement Value will not reflect the increase in the Index if the Initial Index Level increases by more than [13.3333-14.6667]%. You will be subject to significant risks not associated with conventional fixed-rate or floating-rate debt securities. Prospective purchasers should recognize the possibility of a substantial loss with respect to their investment in the Notes. Prospective purchasers of the Notes should understand the risks of investing in the Notes and should reach an investment decision only after careful consideration, with their advisers, of the suitability of the Notes in light of their particular financial circumstances, the following risk factors and the other information set forth in this pricing supplement and the accompanying prospectus supplement and prospectus. These risks include the possibility that the Index will fluctuate, and the possibility that you will receive a substantially lower amount of principal than the amount you invested. We have no control over a number of matters, including economic, financial, regulatory, geographic, judicial and political events, and terrorist activity or inactivity, that are important in determining the existence, magnitude, and longevity of these risks and their influence on the value of, or the payment made on, the Notes.

### **The Notes are not principal protected. At maturity, the Notes may pay less than the principal amount.**

The Notes are not principal protected. If the Final Index Level is less than the Initial Index Level, there will be no principal protection on the Notes and the Cash Settlement Value you will receive will be less than the initial offering price, in proportion to the percentage decline in the Index. You may receive less, and possibly significantly less, than the original public offering price of \$1,000 per Note.

### **You will not receive any interest payments on the Notes. Your yield may be lower than the yield on a conventional debt security of comparable maturity.**

You will not receive any periodic payments of interest or any other periodic payments on the Notes. On the Maturity Date, you will receive a payment per Note equal to the Cash Settlement Value. Thus, the overall return you earn on your Notes may be less than that you would have earned by investing in a non-indexed debt security of comparable maturity that bears interest at a prevailing market rate and is principal protected. For more specific information about the Cash Settlement Value and for illustrative examples, you should refer to the section "Description of the Notes."

### **Your yield will not reflect dividends on the underlying stocks that comprise the Index.**

The Index does not reflect the payment of dividends on the stocks underlying it. Therefore, the yield based on the Index to the maturity of the Notes will not produce the same yield as if you had purchased such underlying stocks and held them for a similar period. You should refer to "Description of the Notes."

### **You must rely on your own evaluation of the merits of an investment linked to the Index.**

In the ordinary course of our business, we may from time to time express views on expected movements in the Index and in the stocks underlying the Index. These views may vary over differing time horizons and are subject to change without notice. Moreover, other professionals who deal in the equity markets may at any time have views that differ significantly than ours. In connection with your purchase of the Notes, you should investigate the Index and the stocks that underlie the Index and not rely on our views with respect to future movements in these industries and stocks. You should make such investigation as you deem appropriate as to the merits of an investment linked to the Index.



**Your return cannot exceed [20.00-22.00]% over the term of the Notes, regardless of the positive percentage increase of the Final Index Level.**

If the Final Index Level appreciates by more than [13.3333-14.6667]%, the Cash Settlement Value you will receive will equal the sum of the principal amount of the Notes, plus the product of the principal amount of Notes and [20.00-22.00]%. Under these circumstances, the Cash Settlement Value you receive at maturity may not fully reflect the performance of the Index.

**Because the treatment of the Notes is uncertain, the material U.S. federal income tax consequences of an investment in the Notes are uncertain.**

Although we intend to treat the Notes for all tax purposes as pre-paid cash-settled forward contracts linked to the Index, there is no direct legal authority as to the proper tax treatment of the Notes, and therefore significant aspects of the tax treatment of the Notes are uncertain. In particular, it is possible that you will be required to recognize income for U.S. federal tax purposes with respect to the Notes prior to the sale, exchange or maturity of the Notes, and it is possible that any gain or income recognized with respect to the Notes will be treated as ordinary income rather than capital gain. Prospective investors are urged to consult their tax advisors regarding the U.S. federal income tax consequences of an investment in the Notes. Please read carefully the section "Certain U.S. Federal Income Tax Considerations."

**Equity market risks may affect the trading value of the Notes and the amount you will receive at maturity.**

We expect that the value of the Index will fluctuate in accordance with changes in the financial condition of the companies issuing the common stocks comprising the Index, the value of the underlying common stocks comprising the Index generally and other factors. The financial condition of the companies issuing the common stocks comprising the Index may become impaired or the general condition of the equity market may deteriorate, either of which may cause a decrease in the value of the Index and thus in the value of the Notes. Common stocks are susceptible to general equity market fluctuations and to volatile increases and decreases in value, as market confidence in and perceptions regarding the underlying common stocks comprising the Index change. Investor perceptions regarding the companies issuing the common stocks comprising the Index are based on various and unpredictable factors, including expectations regarding government, economic, monetary and fiscal policies, (including the level of commitment of resources to homeland security by the Department of Homeland Security and other state and federal agencies and the private sector), inflation and interest rates, economic expansion or contraction, and global or regional political, economic, and banking crises. The value of the Index may be expected to fluctuate until the Maturity Date.