BEAR STEARNS COMPANIES INC
Form 424B2
August 03, 2007

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, 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.

Filed pursuant to Rule 424(b)(2)
Registration No. 333-136666
Subject to Completion, dated August 3, 2007
**PRICING SUPPLEMENT**
(To Prospectus Dated August 16, 2006 and
Prospectus Supplement Dated August 16, 2006)

**The Bear Stearns Companies Inc.**
**$[l] Medium-Term Notes, Series B, Linked to a Portfolio of Indices and Index Funds**
**Due August [l], 2012**

- The Notes are fully principal protected if held to maturity and are linked to the potential positive performance of a portfolio comprised of six indices and two index funds. The following are the six indices and their respective Weightings in the portfolio: (1) 45% the S&P 500® Index; (2) 15% the S&P 400 MidCap Index™; (3) 9% the Dow Jones STOXX 50® Index; (4) 8% the S&P 600 SmallCap Index™; (5) 6% the Nikkei 225™ Stock Index; and (6) 6% the Dow Jones AIG Commodity Index℠ (each such index an "Index" and together the "Indices"). The following are the two index funds and their respective Weightings in the portfolio: (1) 6% the iShares Dow Jones U.S. Real Estate Index Fund and (2) 5% the iShares MSCI Emerging Markets Index Fund (each such index fund an "Index Fund" and together the "Index Funds"). Each such Index or Index Fund will be a "Component" and the eight Components together will constitute the "Portfolio". When we refer to "Note" or "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, which is based on the appreciation, if any, in the Portfolio over the term of the Notes as measured by the Portfolio Return. The "Portfolio Return" is calculated as the weighted average of the eight Component Performances, where the "Component Performance" with respect to a Component measures the average level of such Component as of two Observation Dates relative to its respective Initial Component Level on the Pricing Date.
- If, at maturity, the Portfolio Return is greater than zero, then the Cash Settlement Value for each Note will be equal to the sum of (A) the principal amount of the Note plus (B) the product of (i) $1,000 multiplied by (ii) the Portfolio Return multiplied by (iii) Participation Rate.
- If, at maturity, the Portfolio Return is equal to or less than zero, then the Cash Settlement Value for each Note will be $1,000. Because the Notes are principal protected if held to maturity, in no event will the Cash Settlement Value for each Note held to maturity be less than $1,000.
- The CUSIP number for the Notes is 073928X32.
- The Issuer will not pay interest on the Notes.
- The Notes will not be listed on any securities exchange or quotation system.
- The Maturity Date for the Notes is expected to be August **[l]**, 2012, however, if the Final Observation Date is postponed, the Maturity Date will be three Business Days following the postponed Final Observation Date.
- The Observation Dates for each Component are expected to be February **[l]**, 2010 and August **[l]**, 2012 (the "Final Observation Date"). Each Observation Date, including the Final Observation Date, is subject to adjustment as described herein.
- The Participation Rate is [115.00-120.00]%

**INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. THERE MAY NOT BE AN ACTIVE SECONDARY MARKET IN THE NOTES, AND IF THERE WERE TO BE AN ACTIVE SECONDARY MARKET, IT MAY NOT BE LIQUID, AND THEREFORE THE NOTES THEMSELVES ARE NOT, AND**

**WOULD NOT BE, LIQUID. YOU SHOULD REFER TO "RISK FACTORS" BEGINNING ON PAGE PS-12.**

Each Index is a service mark or trademark of the sponsor of that Index and has been, or will be, licensed for use by The Bear Stearns Companies Inc. The Notes, which are linked to the performance of the Components, are not sponsored, endorsed, sold or promoted by the sponsor or issuer, as applicable, of any Component; and the sponsors or issuers, as applicable, of such Components make no representations 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 | **[l]**%‡ | $**[l]** |
| Agent's discount | **[l]**% | $**[l]** |
| Proceeds, before expenses, to us | **[l]**% | $**[l]** |

‡[Any additional reissuance will be offered at a price to be determined at the time of pricing of each offering of Notes, which price will be a function of the prevailing market conditions and the levels of the Components at the time of the relevant sale.]

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 **[l]**, against payment in immediately available funds.

We may grant Fifth Third Securities, Inc. a 13-day option from the date of the final pricing supplement to purchase from us up to an additional $**[l]** of Notes at the public offering price to cover any over-allotments.

**Fifth Third Securities, Inc.**

August **[l]**, 2007

## SUMMARY

*This summary highlights selected information from the accompanying prospectus, prospectus supplement and this pricing supplement to help you understand the Notes linked to the Portfolio. 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. When we refer to "Note" or "Notes" in this pricing supplement, we mean Notes each with a principal amount of $1,000.*

The Bear Stearns Companies Inc. Medium-Term Notes, Series B, Linked to a Portfolio of Indices and Index Funds, Due August **[l]**, 2012 (the "Notes") are Notes whose return is tied or "linked" to the potential positive performance of a portfolio comprised of six indices and two index funds. The following are the six indices and their respective Weightings in the portfolio: (1) 45% the S&P 500® Index (the "SPX"); (2) 15% the S&P 400 MidCap Index™ (the "MID"); (3) 9% the Dow Jones STOXX 50® Index (the "SX5P"); (4) 8% the S&P 600 SmallCap Index™ (the "SML"); (5) 6% the Nikkei 225™ Stock Index (the "NKY"); and (6) 6% the Dow Jones AIG Commodity Index℠ (the "DJAIG") (each such index an "Index" and together the "Indices"). The following are the two index funds and their respective Weightings in the portfolio: (1) 6% the iShares Dow Jones U.S. Real Estate Index Fund (the "IYR") and (2) 5% the iShares MSCI Emerging Markets Index Fund (the "EEM") (each such index fund an "Index Fund" and together the "Index Funds"). Each such Index or Index Fund will be a "Component" and the eight Components together will constitute the "Portfolio". When we refer to Note or Notes in this pricing supplement, we mean $1,000 principal amount Notes, either singularly or collectively. The Notes are principal protected. On the Maturity Date, you will receive the Cash Settlement Value, an amount in cash that depends on whether the average of the Observation Levels of each Component over two Observation Dates is greater than or less than that respective Component's Initial Component Level. The difference between the average of the levels for a Component on each Observation Date and the Initial Component Level, expressed as a percentage of that Initial Component Level, is referred to as the "Component Performance" for that Component, and the weighted average of the Component Performances is referred to as the "Portfolio Return." If the Portfolio Return is greater than zero, we will pay you, at maturity, the sum of (A) the principal amount of the Notes plus (B) the product of (i) $1,000 multiplied by (ii) the Portfolio Return multiplied by (iii) the Participation Rate. If the Portfolio Return is equal to or less than zero, then the Cash Settlement Value for each Note, at maturity, will be $1,000.

**Selected Investment Considerations**

- Principal protection—Because the Notes are principal protected if held to maturity, in no event will you receive a Cash Settlement Value less than $1,000 per Note, at maturity. If, at maturity, the Portfolio Return is less than or equal to zero, you will receive the principal amount of the Notes.

- Diversification—The Notes are linked to the following six Indices and two Index Funds and their respective Weightings in the Portfolio: (1) 45% the SPX; (2) 15% the MID; (3) 9% the SX5P; (4) 8% the SML; (5) 6% the NKY; (6) 6% the DJAIG; (7) 6% the IYR; and (8) 5% the EEM.

Taxes—For U.S. federal income tax purposes, we intend to treat the Notes as contingent payment debt instruments. As a result, you will be required to include original issue discount ("OID") in income during your ownership of the Notes even though no cash payments will be made with respect to the Notes until maturity. Additionally, you will generally be required to recognize ordinary income on the gain, if any, realized on a sale, upon maturity, or other disposition of the Notes. You should review the discussion under the section entitled "Certain U.S. Federal Income Tax Considerations" in this pricing supplement.

**Selected Risk Considerations**

- No current income—We will not pay any interest on the Notes.

- Non-conventional return—The yield on the Notes 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 ownership of underlying instruments—You will not receive any interest, dividend payments or other distributions on the constituents of the Components; 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 or quotation system, 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. If you sell the Notes prior to maturity, you may receive less, and possibly significantly less, than your initial investment in the Notes.

- Liquidity—Because the Notes will not be listed on any securities exchange, or quotation system, we do not expect a trading market to develop, and, if such a market were to develop, it may not be liquid. Fifth Third Securities, Inc. 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.

- The Components may not move in tandem—At a time when the level or price of one or more of the Components increases, the level or price of one or more of the other Components may decline. Therefore, in calculating the Portfolio Return, increases in the level or price of one or more of the Components may be moderated, or wholly offset, by lesser increases or declines in the level or price of one or more of the other Components.

## KEY TERMS

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

**Components:** The Notes are linked to the potential positive performance of a portfolio comprised of six indices and two index funds. The following are the six indices and their respective Weightings in the portfolio: (1) 45% the S&P 500® Index (the "SPX"); (2) 15% the S&P 400 MidCap Index™ (the "MID"); (3) 9% the Dow Jones STOXX 50® Index (the "SX5P"); (4) 8% the S&P 600 SmallCap Index™ (the "SML"); (5) 6% the Nikkei 225™ Stock Index (the "NKY"); and (6) 6% the Dow Jones AIG Commodity IndexSM (the "DJAIG") (each such index an "Index" and together the "Indices"). The following are the two index funds and their respective Weightings in the portfolio: (1) 6% the iShares Dow Jones U.S. Real Estate Index Fund (the "IYR") and (2) 5% the iShares MSCI Emerging Markets Index Fund (the "EEM") (each such index fund an "Index Fund" and together the "Index Funds"). Each such Index or Index Fund will be a "Component" and the eight Components together will constitute the "Portfolio". The Weighting of each Component is fixed at the respective Weighting mentioned above and will not change during the term of the Notes unless one or more Components are modified during the term of the Notes.

**Index Sponsors:** Standard & Poor's ("S&P"), a division of The McGraw-Hill Companies, Inc. as sponsor of the SPX, MID, and SML; STOXX Limited, a partnership of Deutsche Börse AG, Dow Jones & Company and the SWX Group as the sponsor of the SX5P; Nihon Keizai Shimbun, Inc. as the sponsor of the NKY; and Dow Jones & Company Inc. and AIG Financial Products Corp. ("AIG-FP") as sponsor of the DJAIG are hereinafter referred to as "Index Sponsors." See "Description of the Portfolio" herein.

**Index Fund Issuers:** iShares Trust, as the issuer of the IYR; and iShares, Inc., as the issuer of the EEM are hereinafter referred to as the "Index Fund Issuers." See "Description of the Portfolio" herein.

| | |
|---|---|
| **Principal Amount:** | The Notes will be denominated in U.S. dollars. Each Note will be issued in minimum denominations of $[10,000] 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 $[l]. When we refer to "Note" or "Notes" in this pricing supplement, we mean Notes each 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. |
| **Interest:** | The Notes will not bear interest. |
| **Cash Settlement Value:** | On the Maturity Date, you will receive the Cash Settlement Value, an amount in cash that depends upon the Portfolio Return. If, at maturity, the Portfolio Return is greater than zero, then the Cash Settlement Value for each Note will be equal to the sum of (A) the principal amount of the Note plus (B) the product of (i) $1,000 multiplied by (ii) the Portfolio Return multiplied by (iii) Participation Rate.<br><br>If, at maturity, the Portfolio Return is equal to or less than zero, then the Cash Settlement Value for each Note will be the principal amount of $1,000. Because the Notes are principal protected if held to maturity, in no event will the Cash Settlement Value for each Note held to maturity be less than $1,000. |
| **Participation Rate:** | [115.00-120.00]% |

**Portfolio Return:**

An amount determined by the Calculation Agent and equal to the sum of the Component Performance for each Component multiplied by its respective Weighting in the Portfolio.

For purposes of determining the Portfolio Return:

*"Component Performance"* means, as of the Final Observation Date and with respect to a Component, the quotient, expressed as a percentage, of (i) the arithmetic average of the Observation Levels for that Component as of each Observation Date minus the Initial Component Level of that Component divided by (ii) the Initial Component Level of that Component.

*"Final Observation Date"* means August [l], 2012.

*"Observation Level"* means, as of any Observation Date and with respect to each Index, the closing index level as reported by the relevant Index Sponsor and displayed on Bloomberg Page SPX <Index> <Go> with respect to the SPX; Bloomberg Page MID <Index> <Go> with respect to the MID; Bloomberg Page SX5P <Index> <Go> with respect to the SX5P; Bloomberg Page SML <Index> <Go> with respect to the SML; Bloomberg Page NKY <Index> <Go> with respect to the NKY; and Bloomberg Page DJAIG <Index> <Go> with respect to the DJAIG; and with respect to each Index Fund, as of any Observation Date, the closing price as reported by the Relevant Exchange and as displayed on Bloomberg Page IYR US <Equity> <Go> with respect to the IYR; and Bloomberg Page EEM US <Equity> <Go> with respect to the EEM.

*"Observation Date"* means February [l], 2010 and August [l], 2012; provided that, with respect to a Component, (i) if such date is not a Component Business Day (as defined herein) for that Component, then the Observation Date for that Component will be the next succeeding day that is a Component Business Day for that

Component and (ii) if a Market Disruption Event (as defined herein) exists for that Component on the Observation Date, the Observation Date for that Component will be the next Component Business Day for that Component on which a Market Disruption Event does not exist for that Component. If the Observation Date for any Component is postponed for three consecutive Component Business Days due to the existence of a Market Disruption Event, then, notwithstanding the existence of a Market Disruption Event on that third Component Business Day, that third Component Business Day will be the Observation Date for that Component. If no Market Disruption Event exists with respect to a Component on the Observation Date, the determination of that Component's Observation Level will be made on the Observation Date, irrespective of the existence of a Market Disruption Event with respect to one or more of the other Components.

*"Initial Component Level"* means:

l [l] with respect to the SPX;
l [l] with respect to the MID;
l [l] with respect to the SX5P;
l [l] with respect to the SML;
l [l] with respect to the NKY;
l [l] with respect to the DJAIG;
l [l] with respect to the IYR; and
l [l] with respect to the EEM.

*"Weighting"* means:

l 45% with respect to the SPX;
l 15% with respect to the MID;
l 9% with respect to the SX5P;
l 8% with respect to the SML;
l 6% with respect to the NKY;
l 6% with respect to the DJAIG;
l 6% with respect to the IYR; and
l 5% with respect to the EEM.

**Pricing Date:** August [l], 2007.

**Issue Date:** August [l], 2007.

**Maturity Date:** The Notes are expected to mature on August [l], 2012 unless such date is not a Business Day, in which case the Maturity Date shall be the next Business Day. If the Final Observation Date is postponed, the Maturity Date will be three Business Days following the postponed Final Observation Date, as postponed for the last Component for which an Observation Level is determined.

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

**Component Business Day:** Means with respect to a Component any day on which each Relevant Exchange and each Related Exchange for such Component are scheduled to be open for trading.

**Business Day:** Means any day other than a Saturday or Sunday, on which banking institutions in the cities of New York, New York and London, England are not authorized or obligated by law or executive order to be closed.

**Calculation Agent:** Bear, Stearns & Co. Inc.

**Underlying Index:** Means with respect to the IYR, the Dow Jones U.S. Real Estate Index or any successors thereto and with respect to the EEM, the MSCI Emerging Markets Index or any successors thereto.

**Relevant Exchanges:** Means (i) with respect to an Index, the primary exchanges or markets of trading for any constituent then included in such Index; and (ii) with respect to an Index Fund, the primary exchanges or markets of trading for such Index Fund and the primary exchanges or markets of trading of any constituent then included in the Underlying Index for such Index Fund. The "Summary of the Components" below details the Relevant Exchanges for each Component.

**Related Exchange:** Means, with respect to a Component, each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to the Component, or the Underlying Index, if any.

**Summary of the Components**

| Component | Relevant Exchanges |
|---|---|
| SPX | New York Stock Exchange, NASDAQ and their successors |
| MID | New York Stock Exchange, NASDAQ, American Stock Exchange LLC and their successors |
| SX5P | Major stock exchanges, respectively located in one of 18 European countries, including London Stock Exchange, Frankfurt Stock Exchange and others and their successors |
| SML | New York Stock Exchange, NASDAQ, American Stock Exchange LLC and their successors |
| NKY | The Tokyo Stock Exchange (the "TSE") and its successors |
| DJAIG | New York Mercantile Exchange, COMEX division of the New York Mercantile Exchange, London Metal Exchange, New York Board of Trade, Chicago Board of Trade, Chicago Mercantile Exchange and their successors |
| IYR | The New York Stock Exchange, American Stock Exchange LLC and their successors |
| EEM | The New York Stock Exchange and major stock exchanges, respectively located in one of 22 countries and their successors |

**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 $[10,000], 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, unsecured, unsubordinated debt securities, the value of which is linked to the performance of the Portfolio. The Notes will not bear interest, and no other payments will be made prior to maturity. The Notes are principal protected if held to maturity. The Notes differ from conventional debt securities in that the Notes offer the opportunity to participate in [115.00-120.00]% of the positive performance of the Portfolio, if any. See the section "Risk Factors" for selected risk considerations prior to making an investment in the Notes.

The Notes are expected to mature on August [l], 2012. The Notes do not provide for earlier redemption. When we refer to "Note" or "Notes" in this pricing supplement, we mean Notes with a principal amount of $1,000. You should refer to the section "Description of the Notes," for a detailed description of the Notes prior to making an investment in the Notes.

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

Yes, the Notes are subject to a number of risks. You should refer to the section "Risk Factors" in this pricing supplement and the section "Risk Factors" in the accompanying prospectus supplement.

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

We have designed the Notes for investors who want to protect their investment by receiving at least 100% of the principal amount of their Notes at maturity. On the Maturity Date, you will receive the Cash Settlement Value, which is based on the appreciation, if any, in the Portfolio over the term of the Notes as measured by the Portfolio Return. The "Portfolio Return" is an amount determined by the Calculation Agent and equal to the sum of the Component Performance for each Component multiplied by its respective Weighting in the Portfolio. The "Component Performance" with respect to a Component measures the average level of such Component as of two Observation Dates relative to its respective Initial Component Level on the Pricing Date.

If the Portfolio Return is less than or equal to zero on the Final Observation Date, the Cash Settlement Value will equal the principal amount of the Notes because the Notes are principal protected if held to maturity.

If the Portfolio Return is greater than zero on the Final Observation Date, the Cash Settlement Value for each Note will be equal to the sum of (A) the principal amount of the Notes plus (B) the product of (i) $1,000 multiplied by (ii) the Portfolio Return multiplied by (iii) the Participation Rate.

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

**What does “principal protected” mean?**

“Principal protected” means that at maturity your principal investment in the Notes will not be at risk as a result of a decrease in the Portfolio Return. If the Portfolio Return is equal to or less than zero on the Final Observation Date, the Cash Settlement Value at maturity will be $1,000. You may receive less than the principal amount of the Notes if you sell your Notes prior to maturity.

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

You will not receive any periodic interest payments on the Notes. The only return on invested dollars you will receive, if any, will be reflected in the Cash Settlement Value upon the maturity of the Notes.

**Will there be an additional offering 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 any 13-day option we grant to Fifth Third Securities, Inc. The price of any additional offerings will be determined at the time of pricing of each offering, which will be a function of the prevailing market conditions and levels of the Components at the time of the relevant sale.

**What is the Portfolio?**

The Portfolio is comprised of six Indices and two Index Funds. The following are the six Indices and their respective Weightings in the portfolio: (1) 45% the SPX; (2) 15% the MID; (3) 9% the SX5P; (4) 8% the SML; (5) 6% the NKY; and (6) 6% the DJAIG. The following are the two Index Funds and their respective Weightings in the portfolio: (1) 6% the IYR and (2) 5% the EEM. Each such Index or Index Fund will be a “Component” and the eight Components together will constitute the “Portfolio”. The Weighting of each Component is fixed at the respective Weighting mentioned above, and will not change during the term of the Notes unless one or more of the Components is modified during the term of the Notes. For more specific information about the Portfolio, please see the section “Description of the Portfolio.” Unless otherwise stated, all information regarding the Components that is provided in this pricing supplement is derived from the Index Sponsors, Index Fund Issuers or other publicly available sources.

**Who publishes information regarding the Components and where can I obtain further information?**

*S&P 500® Index*. The SPX is a capitalization weighted stock index published by Standard and Poor’s (“S&P”) and is intended to provide an indication of the pattern of common stock price movement. The calculation of the level of the Index, discussed below in further detail, is based on the relative value of the aggregate market value of the common stocks of 500 companies as of a particular time compared to the aggregate average market value of the common stocks of 500 similar companies during the base period of the years 1941 through 1943. As of July 16, 2007, the common stocks of 426 companies or 85.2% of the market capitalization of the SPX, were traded on the New York Stock Exchange (“NYSE”) and the common stocks of 74 companies, or 14.8% of the market capitalization of the Index, were traded on The NASDAQ Stock Market (“NASDAQ”). As of that date, none of the common stocks included in the Index were traded on the American Stock Exchange. You can obtain the level of the SPX from the Bloomberg Financial Service under the symbol SPX <Index> or from the S&P website at http://www.spglobal.com. Other information on the S&P website is not incorporated into this document.

*S&P MidCap 400 Index™* . The MID is published by the S&P and is meant to provide a performance benchmark for the medium capitalization segment of the U.S. equity markets. The MID tracks the stock price movement of 400 companies with mid-sized market capitalizations, primarily ranging from $1 billion to $4 billion. The market capitalization requirements are reviewed periodically to ensure consistency with market standards. The MID is maintained with similar methodologies and rules as the S&P 500® Index, with variations only to account for differences in capitalization requirements. S&P chooses stocks for inclusion in the MID with the aim of offering investors access to the mid-cap segment of the U.S. equity markets. You can obtain the level of the MID from the

Bloomberg Financial Service under the symbol MID <Index> or from the S&P website at http://www.spglobal.com. Other information on the S&P website is not incorporated into this document.

*Dow Jones STOXX 50® Index*. The SX5P is a free-float weighted index of 50 European blue-chip companies and is calculated, published and disseminated by STOXX Limited, a partnership of Deutsche Börse AG, Dow Jones & Company and the SWX Group. The SX5P is currently comprised of 50 stocks that respectively trade on major stock exchanges located in one of 18 European countries, including the London Stock Exchange, Frankfurt Stock Exchange and others. You can obtain the level of the SX5P from the Bloomberg Financial Service under the symbol SX5P <Index> or from the Dow Jones website at http://www.djindexes.com. Other information on the Dow Jones website is not incorporated into this document.

*S&P 600 SmallCap Index™*. The SML is a stock index published by S&P that is designed by S&P to be an accurate measure of small companies, reflecting risk and return characteristics of the broader small cap U.S. equity markets on an on-going basis. The SML currently represents approximately 3% of the domestic equities market. S&P chooses companies for inclusion in the SML with an aim of achieving a distribution by broad industry groupings that approximates the distribution of these groupings in the common stock population of the small capitalization segment of the United States equity market. You can obtain the level of the SML from the Bloomberg Financial Service under the symbol SML <Index> or from the S&P website at http://www.spglobal.com. Other information on the S&P website is not incorporated into this document.

*Nikkei 225TM Stock Index*. The NKY is a modified, price-weighted stock index calculated, published and disseminated by Nihon Keizai Shimbun, Inc. that measures the composite price performance of selected Japanese stocks. The NKY is currently comprised of 225 stocks that trade on the Tokyo Stock Exchange and represents a broad cross-section of Japanese industry. All 225 of the stocks underlying the NKY are stocks listed in the First Section of the Tokyo Stock Exchange. You can obtain the level of the NKY from the Bloomberg Financial Service under the symbol NKY <Index> or from the Tokyo Stock Exchange website at http://www.tse.or.jp/english/index.shtml. Other information on the Tokyo Stock Exchange website is not incorporated into this document.

*Dow Jones AIG Commodity IndexSM.* The DJAIG is an index calculated, published and disseminated by Dow Jones and AIG Financial Products Corp. The DJAIG was introduced in July 1998 to provide a diversified and liquid benchmark for physical commodities as an asset class. The DJAIG currently is composed of the prices of nineteen exchange-traded futures contracts on physical commodities. An exchange-traded futures contract is a bilateral agreement providing for the purchase and sale of a specified type and quantity of a commodity or financial instrument during a stated delivery month for a fixed price. The commodities (on which the futures contracts are based) included in the DJAIG for 2007 are aluminum, coffee, copper, corn, cotton, crude oil, gold, heating oil, lean hogs, live cattle, natural gas, nickel, silver, soybeans, soybean oil, sugar, unleaded gasoline, wheat and zinc. Futures contracts underlying the DJAIG are currently listed for trading on the Chicago Board of Trade (the “CBOT”). You can obtain the level of the DJAIG from the Bloomberg Financial Service under the symbol DJAIG <Index> or from the Dow Jones website at http://www.djindexes.com. Other information on the Dow Jones website is not incorporated into this document.

*iShares Dow Jones U.S. Real Estate Index Fund*. The IYR is an index fund which seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of the real estate sector of the U.S. equity market, as measured by the Dow Jones U.S. Real Estate Index. The Dow Jones U.S. Real Estate Index is a capitalization-weighted index that aims to measure the performance of the Real Estate industry of the U.S. equity market, including real estate holding and developing and real estate investment trusts (REITS) subsectors. Issued by iShares Trust, the IYR’s inception date is June 12, 2000. You can obtain the level of the IYR from the Bloomberg Financial Service under the symbol IYR US <Index> or from the iShares website at http://www.ishares.com/fund_info/. Other information on the iShares website is not incorporated into this document.

*iShares MSCI Emerging Markets Index Fund*. The EEM is an index fund issued by iShares, Inc. The EEM seeks to provide investment results that correspond generally to the price and yield performance of publicly traded securities in emerging markets, as measured by the MSCI Emerging Markets Index. The MSCI Emerging Markets Index is a capitalization-weighted index that aims to measure the performance of emerging markets by capturing 85% of the (publicly available) total market capitalization of emerging market stocks. The inception date for the EEM is April 7, 2003. You can obtain the level of the EEM from the Bloomberg Financial Service under the symbol EEM US <Index> or from the iShares website at http://www.ishares.com/fund_info/. Other information on the iShares website is not incorporated into this document.

**How has the Portfolio performed historically?**

We have provided tables depicting the month-end closing levels for each of the Components, as well as graphs depicting the month-end closing levels for each of the Components. You can find these tables and graphs in the section "Description of the Portfolio—Historical Performance of the Components." We have provided this historical information to help you evaluate the behavior of the Portfolio in various economic environments; however, the time period depicted is relatively limited and past performance is not indicative of the manner in which the Portfolio will perform in the future. You should refer to the section "Risk Factors—The historical performance of the Components is not an indication of the future performance of the Components."

**What is Fifth Third Securities, Inc.'s role?**

We have entered into a Distribution Agreement and Terms Agreement with Fifth Third Securities, Inc. ("Fifth Third"). These agreements provide for the offer and sale of Notes by Fifth Third on a best efforts basis. Fifth Third has agreed to use its best efforts to identify potential purchasers of the Notes and will purchase such Notes from us for resale to such purchasers.

Although it is under no obligation to do so, Fifth Third 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, Notes will cease trading as of the close of business on the Maturity Date.

**What is the role of Bear, Stearns & Co. Inc.?**

Bear, Stearns & Co. Inc. ("Bear Stearns") 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 (as defined herein) acting on behalf of the holders, to exercise rights and remedies available under the Indenture (as defined herein). If the Calculation Agent uses its discretion to make a determination, the Calculation Agent will notify us 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 Securities and Exchange Commission, 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 performance of the Components, they may be appropriate for investors with specific investment horizons who seek to participate in the potential price appreciation of the Components. In particular, the

Notes may be an attractive investment for you if you:

- want potential upside exposure to the Components underlying the Portfolio;
- believe that the value of the Portfolio will increase over the term of the Notes;
- 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;

- do not want to place your principal at risk and are willing to hold the Notes until maturity; and
- are willing to forgo interest payments or dividend payments on the stocks underlying the Components.

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

- you seek current income or dividend payments from your investment;
- you are unable or unwilling to hold the Notes until maturity;
- you seek an investment with an active secondary market; or
- you do not believe that the value of the Portfolio will increase over the term of the Notes.

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

We intend to treat the Notes as contingent payment debt instruments for federal income tax purposes. Therefore, a U.S. Holder of a Note will be required to include OID in gross income over the term of the Note even though no cash payments will be made with respect to the Notes until maturity. The amount of OID includible in each year is based on the “comparable yield.” In addition, we will compute a “projected payment schedule” that reflects a single payment at maturity that produces the comparable yield. The comparable yield and the projected payment schedule are neither predictions nor guarantees of the actual yield on the Notes or the actual payment at maturity. If the amount we actually pay at maturity is, in fact, less than the amount reflected on the projected payment schedule, then a U.S. Holder would have recognized taxable income in periods prior to maturity that exceeds the U.S. Holder’s economic income from holding the Note during such periods (with an offsetting ordinary loss). If a U.S. Holder disposes of the Note prior to maturity, the U.S. Holder will be required to treat any gain recognized upon the disposition of the Note as ordinary income (rather than capital gain). You should review the discussion under the section entitled “Certain U.S. Federal Income Tax Considerations” in this pricing supplement.

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

An employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), a plan that is subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the “Code”), including individual retirement accounts, individual retirement annuities or Keogh plans, a governmental or church plan subject to any similar law or any entity the assets of which are deemed to be “plan assets” under ERISA, Section 4975 of the Code, any applicable regulations or otherwise, will be permitted to purchase, hold and dispose of the Notes, subject to certain conditions. Such investors should carefully review the discussion under “Certain ERISA Considerations” in this pricing supplement before investing in the Notes.

## RISK FACTORS

Your investment in the Notes involves a degree of risk similar to investing in the Components underlying the Portfolio. Your investment in the Notes will be subject to risks not associated with conventional fixed-rate or floating-rate debt securities. Prospective purchasers should recognize the possibility of a loss with respect to their investment in the Notes if they sell the Notes prior to maturity. 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. We have no control over a number of matters that may affect the value of the Notes, including economic, financial, regulatory, geographic, judicial and political events, 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.

**Your Notes are principal protected only if you hold the Notes until maturity.**

If you sell your Notes prior to maturity, you may receive less than the amount you originally invested.

**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.”

**Increases in the levels or prices of the Components may not correspond to increases in the trading value of the Notes.**

Even if the Components increase above their Initial Component Levels during the term of the Notes, the trading value of the Notes may not increase by the same amount. It is also possible for the Portfolio Return to increase while the trading value of the Notes declines.

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

In the ordinary course of our business, we may from time to time express views on expected movements in the Portfolio and the securities underlying the Components. 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 from ours. In connection with your purchase of the Notes, you should investigate the Portfolio and the constituents of the Components and not rely on our views with respect to future movements in these industries and constituents. You should make such investigation as you deem appropriate as to the merits of an investment linked to the Portfolio.

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

The Portfolio does not reflect the payment of dividends or other distributions on the constituents of the Components. Therefore, the yield you will receive by holding the Notes to maturity will not be the same as if you had purchased the Components and held them for a similar period. You should refer to the section “Description of the Notes” for a detailed description of the notes prior to making an investment in the Notes.

PS-12

**Tax Consequences.**

For U.S. federal income tax purposes, we intend to treat the Notes as contingent payment debt instruments. As a result, U.S. Holders will be required to include OID in income during their ownership of the Notes even though no cash payments will be made with respect to the Notes until maturity. The amount of OID includible in each year is based on the "comparable yield." In addition, we have computed a "projected payment schedule" that reflects a single payment at maturity that produces the comparable yield. The comparable yield and the projected payment schedule are neither predictions nor guarantees of the actual yield on the Notes or the actual payment at maturity. If the amount we actually pay at maturity is, in fact, less than the amount reflected on the projected payment schedule, then a U.S. Holder would have recognized taxable income in periods prior to maturity that exceeds the U.S. Holder's economic income from holding the Note during such periods (with an offsetting ordinary loss). Additionally, U.S. Holders will generally be required to recognize ordinary income on the gain, if any, realized on a sale, upon maturity, or other disposition of the Notes. You should review the discussion under the section entitled "Certain U.S. Federal Income Tax Considerations" in this pricing supplement.

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

We expect that the level of the Portfolio will fluctuate in accordance with changes in the financial condition of the constituents comprising the Components, the level of the constituents comprising the Components generally and other factors. The financial condition of the constituents underlying the Components may become impaired or the general condition of the global equity market may deteriorate, either of which may cause a decrease in the level of the Portfolio 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 constituents comprising the Components change. Investor perceptions regarding the constituents comprising the Components are based on various and unpredictable factors, including expectations regarding government, economic, monetary and fiscal policies, inflation and interest rates, economic expansion or contraction, and global or regional political, economic, and banking crises. The level of the Portfolio is expected to fluctuate until the Maturity Date.

**The historical performance of the Components is not an indication of the future performance of the Components.**

The historical performance of the Components that is included in this pricing supplement should not be taken as an indication of the future performance of the Components. While the trading prices of the constituents comprising the Components will determine the level of the Portfolio, it is impossible to predict whether the level of the Portfolio will fall or rise. Trading prices of the constituents comprising the Components will be influenced by the complex, unpredictable, and interrelated economic, financial, regulatory, geographic, judicial, political and other factors that can affect the capital markets generally and the equity and commodity trading markets on which the constituents are traded, in particular, and by various circumstances that can influence the levels of the constituents in a specific market segment or the value of a particular constituent.

**The constituents underlying certain Components trade at different times; however, if an active secondary market develops, the Notes may trade only during regular trading hours in the United States.**

The hours of trading for the Notes may not conform to the hours during which the constituents underlying certain of the Components are traded. To the extent that U.S. markets are closed while other markets remain open, significant price and rate movements may take place in the markets for the constituents comprising certain of the Components that will not be reflected immediately in the price of the Notes.

As a result of the time difference among the cities where the constituents underlying certain of the Components trade and New York City (where the Notes may trade), there may be discrepancies between the levels of the Components and the trading prices of the Notes. In addition, there may be periods when the international capital and commodities markets are closed for trading (for example during holidays in an applicable country), causing the level of a particular Component to remain unchanged for multiple New York City trading days.

**Your return may be affected by factors affecting international securities markets.**

The securities underlying certain of the Components are issued by international companies. Investors should be aware that investments linked to the value of international equity securities might involve particular risks. The international securities markets may have less liquidity and could be more volatile than U.S. or other longer-established international securities markets. Direct or indirect government intervention to stabilize the international securities markets, as well as cross-shareholdings in international companies, may affect trading prices and volumes in those markets. Also, there is generally less publicly available information about international companies than about those U.S. companies that are subject to the reporting requirements of the Securities and Exchange Commission (the "SEC"); and international companies are often subject to accounting, auditing and financial reporting standards and requirements that differ from those applicable to U.S. reporting companies. The other special risks associated with investments linked to the value of international equity securities may include, but are not necessarily limited to: the imposition of taxes; higher transaction and custody costs; settlement delays and risk of loss; difficulties in enforcing contracts; less liquidity and smaller market capitalizations; less rigorous regulation of securities markets; governmental interference; higher inflation; and social, economic and political uncertainties. These factors may adversely affect the performance of certain of the Components and, as a result, the Cash Settlement Value may be adversely affected.

The prices and performance of securities underlying the Components also may be affected by political, economic, financial and social factors. In addition, recent or future changes in the government, economic and fiscal policies, the possible imposition of, or changes in, currency exchange laws or other laws or restrictions, and possible fluctuations in the rate of exchange between currencies, are factors that could negatively affect the international securities markets. Moreover, the applicable international economies may differ favorably or unfavorably from that of the United States.

**Your return may be affected by factors affecting international commodity markets.**

The constituents underlying the DJAIG are subject to the risks of any investment in an index of commodities, including the risk that the general level of commodities prices may decline.

- The commodities futures markets are subject to temporary distortions, extreme price variations or other disruptions due to conditions of illiquidity in the markets, the participation of speculators, government regulation and intervention.

- Prices of commodities and commodity futures contracts may be adversely affected by the promulgation of new laws or regulations or by the reinterpretation of existing laws or regulations (including, without limitation, those relating to taxes and duties on commodities or commodity components) by one or more governments, governmental agencies or instrumentalities, courts or other official bodies. Any such event could adversely affect the level of the DJAIG and, correspondingly, could adversely affect the value of the Notes.

- Commodities prices are subject to volatile price movements over short periods of time and are affected by numerous factors, including, among other things, the structure of and confidence in the global monetary system, expectations of the future rate of inflation, the relative strength of the U.S. dollar, interest rates and borrowing and lending rates relating to such commodity, global and regional economic, global industrial demand, financial, political, regulatory, judicial and other events, war (or the cessation thereof), development of substitute products, terrorism, weather, supply, price levels, global energy levels, production levels and production costs, delivery costs. Such political, economic and other developments that affect the DJAIG may also affect the value of the Notes.

- The level of the DJAIG can fluctuate significantly due to supply and demand disruptions in major producing or consuming regions. In particular, recent growth in industrial production and gross domestic product has made China an oversized user of commodities. Political, economic and other developments that affect China will affect the value of the DJAIG and, thus, the value of the Notes. Because the commodities underlying the DJAIG are produced in a limited number of countries and are controlled by a small number of producers, political, economic and supply related events in such countries could have a disproportionate impact on the levels of the DJAIG.

**The positive performance of a Component on an Observation Date may be offset by the negative performance of that same Component on the other Observation Date.**

The Component Performance of each Component is based on the arithmetic average of the Observation Levels for that Component on two Observation Dates. Even if a Component exhibits a positive performance on one Observation Date, the negative performance of that Component the other Observation Date may offset the positive performance of that Component, or cause the Component Performance of that Component to be negative, and therefore adversely affect the Portfolio Return.

**The price at which you will be able to sell your Notes prior to maturity will depend on a number of factors, and may be substantially less than the amount you had originally invested.**

If you wish to liquidate your investment in the Notes prior to maturity, your only option would be to sell them. At that time, there may be an illiquid market for Notes or no market at all. Even if you were able to sell your Notes, there are many factors outside of our control that may affect their trading value. We believe that the value of your Notes will be affected by the level and volatility of the Portfolio, whether the Observation Levels of the Components are greater than or equal to their Initial Component Levels, changes in U.S. interest rates, the supply of and demand for the Notes and a number of other factors. Some of these factors are interrelated in complex ways; as a result, the effect of any one factor may be offset or magnified by the effect of another factor. The price, if any, at which you will be able to sell your Notes prior to maturity may be substantially less than the amount you originally invested if, at such time, the levels of the Components are less than, equal to or not sufficiently above their Initial Component Levels. If you sell the Notes prior to maturity, you may receive less, and possibly significantly less, than your initial investment in the Notes. The following paragraphs describe the manner in which we expect the trading value of the Notes will be affected in the event of a change in a specific factor, assuming all other conditions remain constant.

- *Value of the Portfolio*. We expect that the trading value of the Notes will depend substantially on the amount, if any, by which the Portfolio Return at any given time is greater than zero. If you decide to sell your Notes when the Portfolio Return is greater than zero, you may nonetheless receive substantially less than the amount that would be payable at maturity based on that Portfolio Return because of expectations that the Portfolio Return will continue to fluctuate until the Cash Settlement Value is determined.

- *Volatility of the Portfolio*. Volatility is the term used to describe the size and frequency of market fluctuations. If the volatility of the Portfolio increases or decreases, the trading value of the Notes may be adversely affected. This volatility may increase the risk that the Portfolio Return will decline, which could negatively affect the trading value of Notes. The effect of the volatility of the Portfolio on the trading value of the Notes may not necessarily decrease over time during the term of the Notes.

- *Correlation among the level of the Components*. Correlation is the extent to which the levels of the Components increase or decrease to the same degree at the same time. To the extent that correlation among the Components changes, the volatility of the Components may change and the value of the Notes may be adversely affected.

- *Interest rates*. We expect that the trading value of the Notes will be affected by changes in U.S. interest rates. In general, if U.S. interest rates increase, the value of outstanding debt securities tends to decrease; conversely, if interest rates decrease, the value of outstanding debt securities tends to increase. Interest rates may also affect the economy and, in turn, the levels or prices, as applicable, of the Components, which may affect the value of the Notes. Rising interest rates may lower the levels or prices, as applicable, of the Components and, thus, the value of the Notes.

- *Our credit ratings, financial condition and results of operations*. Actual or anticipated changes in our current credit ratings, A1 by Moody's Investor Service, Inc. and A+ by Standard & Poor's Rating Services, as well as our financial condition or results of operations may significantly affect the trading value of the Notes. However, because the return on the Notes is dependent upon factors in addition to our ability to pay our obligations under the Notes, such as the levels or prices, as applicable, of the Components, an improvement in our credit ratings, financial condition or results of operations is not expected to have a positive effect on the trading value of the Notes.

· *Time remaining to maturity.* As the time remaining to maturity of the Notes decreases, the “time premium” associated with the Notes will decrease. A “time premium” results from expectations concerning the levels of the Components during the period prior to the maturity of the Notes. As the time remaining to the maturity of the Notes decreases, this time premium will likely decrease, potentially adversely affecting the trading value of the Notes. As the time remaining to maturity decreases, the trading value of the Notes and the supplemental return may be less sensitive to the volatility of the Components.

· *Dividend yield.* The value of the Notes may also be affected by the dividend yields on the stocks underlying certain of the Components. In general, because the Components do not incorporate the value of dividend payments, higher dividend yields will likely reduce the value of the Notes and, conversely, lower dividend yields is expected to increase the value of the Notes.

· *Volatility of currency exchange rates.* The exchange rates between the U.S. dollar and the foreign currencies in which the constituents underlying certain of the Components are denominated are foreign exchange spot rates that measure the relative values of two currencies: the particular currency in which the constituents underlying a particular Component are denominated and the U.S. dollar. The spot rate is expressed as a rate that reflects the amount of the particular currency that can be purchased for one U.S. dollar. If the volatility of the exchange rate between the U.S. dollar and any of the foreign currencies in which the constituents underlying certain of the Components are denominated changes, the trading value of the Notes may be adversely affected.

· *Correlation between currency exchange rates and the Components.* Correlation is the term used to describe the relationship between the percentage changes in the exchange rate between the U.S. dollar and each of the foreign currencies in which the constituents underlying certain of the Components are denominated and the percentage changes between each Component. If the correlation between the relevant exchange rates and the particular Component changes, the trading value of the Notes may be adversely affected.

· *Events involving the companies issuing the securities comprising certain of the Components.* General economic conditions and earnings results of the companies whose securities comprise certain of the Components, and real or anticipated changes in those conditions or results, may affect the trading value of the Notes. For example, some of the securities underlying certain of the Components may be affected by mergers and acquisitions, which can contribute to volatility of the Portfolio. As a result of a merger or acquisition, one or more securities in certain of the Components may be replaced with a surviving or acquiring entity’s securities. The surviving or acquiring entity’s securities may not have the same characteristics as the stock originally included in the Portfolio.

· *Size and liquidity of the trading market.* The Notes will not be traded on any securities exchange or quotation system, therefore there may not be an active secondary market in the Notes, which may affect the price that you receive for your Notes upon any sale prior to maturity. If an active secondary market does develop, there can be no assurance that there will be liquidity in the secondary market. If the secondary market for the Notes is limited, there may be a limited number of buyers for your Notes if you do not wish to hold your investment until maturity. This may affect the price you receive upon any sale of the Notes prior to maturity. Fifth Third 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.

· *Inclusion of commission.* The inclusion of commissions and projected profit from hedging in the initial public offering price of the Notes is likely to adversely affect secondary market prices. Assuming no change in the market conditions or any other relevant factors, the price, if any, at which Fifth Third may be willing to purchase the Notes in secondary market transactions may be lower than the original price of the Notes, because the original price included, and secondary market prices are likely to exclude, commissions paid with respect to the Notes, as well as the projected profit included in the cost of hedging our obligations under the Notes. In addition, any such prices may differ from values determined by pricing models used by Fifth Third as a result of dealer discounts, mark-ups or other transaction costs.

We want you to understand that the effect of one of the factors specified above, such as an increase in interest rates, may offset some or all of any change in the value of the Notes attributable to another factor, such as an increase in the level of the Portfolio.

**You have no shareholder rights or rights to receive any stock.**

Investing in the Notes will not make you a holder of any of the stocks underlying any certain Index or Underlying Index. Neither you nor any other holder or owner of the Notes will have any voting rights, any right to receive dividends or other distributions or any other rights with respect to the underlying stocks. The Cash Settlement Value, if any, will be paid in cash, and you will have no right to receive delivery of any stocks underlying any certain Index or Underlying Index.

**Reported levels or prices, as applicable, of the Components may be based on non-current information.**

If trading is interrupted in the constituents of the Components, publicly available information regarding the Portfolio Return may be based on the last reported prices or levels. As a result, publicly available information regarding reported closing levels or prices, as applicable, of the Components may at times be based on non-current information.

**Risks associated with the Components may adversely affect the market value of the Notes.**

Because the Notes are linked to changes in the levels or prices of equity indices, a commodity index and index funds representing a range of geographic sectors, the Portfolio will be less diversified than funds or investment portfolios investing in a broader range of international securities and, therefore, could experience greater volatility. The equity and commodity markets are subject to temporary distortions or other disruptions due to various factors, including a lack of liquidity in the markets, the participation of speculators and potential government regulation and intervention. Suspension or other disruptions of market trading in the constituents underlying certain of the Components could adversely affect the levels of those Components and, therefore, the Cash Settlement Value and/or the trading value of the Notes.

**The Components may not move in tandem; and gains in one Component may be offset by declines in another Component.**

Movements in the price or level of the Components comprising the Portfolio may not move in tandem with each other. At a time when the price or level of one or more of the Components increases, the price or level of one or more of the other Components may decline. Therefore, increases in the price or level of one or more of the Components comprising the Portfolio may be moderated, or wholly offset, by lesser increases or declines in the price or level of one or more of the other Components comprising the Portfolio.

**The Components comprising the Portfolio are weighted differently; therefore the positive performance of a less heavily weighted Component may be offset by the negative performance of a more heavily weighted Component.**

The Portfolio Return is an amount determined by the Calculation Agent and equal to the sum of the Component Performance for each Component multiplied by its respective Weighting in the Portfolio. Because the Components are weighted differently in the Portfolio, the positive performance of a less heavily weighted Component may be moderated, or wholly offset, by the negative performance of a more heavily weighted Component in the Portfolio.

**Adjustments to the Indices could adversely affect the value of the Notes.**

The policies of an Index Sponsor concerning additions, deletions and substitutions of the securities underlying the applicable Index and the manner in which that Index Sponsor takes account of certain changes affecting those underlying securities may affect the level of the Index and thus the Portfolio. You should realize that changes in the companies included in an Index may affect the Index, as a newly-added company or commodity, as applicable, may perform significantly better or worse than the company or companies it replaces. The Index Sponsor also may discontinue or suspend calculation or dissemination of that Index or materially alter the methodology by which it calculates that Index. Any such actions could affect the value of the Notes.

**The Calculation Agent is one of our affiliates, which could result in a conflict of interest.**

Bear Stearns will act as the Calculation Agent. Because Bear Stearns is our affiliate, conflicts of interest may arise in connection with Bear Stearns performing its role as Calculation Agent. Our affiliates, including Bear Stearns, may, at various times, engage in transactions involving the constituents underlying the Portfolio for their proprietary accounts, and for other accounts under their management. These transactions may influence the value of such constituents, and therefore the level or prices, as applicable, of the Components. Bear Stearns International Limited ("BSIL"), an affiliate of Bear Stearns, or one of its subsidiaries will also be the counterparty to the hedge of our obligations under the Notes. You should refer to "Use of Proceeds and Hedging." Accordingly, under certain circumstances, conflicts of interest may arise between Bear Stearns' responsibilities as Calculation Agent with respect to the Notes and BSIL's obligations under our hedge.

**Changes that affect the calculation of the levels or prices, as applicable, of the Components will affect the trading value of the Notes and the amount you will receive at maturity.**

Each Index Sponsor is responsible for calculating and maintaining its respective Index. The policies of an Index Sponsor concerning the calculation of an Index will affect the level of the Index and, therefore, the trading value of the Notes and the Cash Settlement Value.

If an Index Sponsor discontinues or suspends calculation or publication of an Index, it may become difficult to determine the trading value of the Notes or the Cash Settlement Value. If an Index Sponsor discontinues or suspends calculation of an Index at any time prior to the Maturity Date and a Successor Index (as defined below) is not available or is not acceptable to the Calculation Agent, then the Calculation Agent will determine the amount payable on the Maturity Date by reference to a group of stocks or commodities, as applicable, and a computation methodology that the Calculation Agent determines will as closely as reasonably possible replicate the Index. In addition, if the method of calculating an Index (or a Successor Index) is changed in a material respect, or if an Index (or a Successor Index) is in any other way modified so that such Index (or Successor Index) does not, in the opinion of the Calculation Agent, fairly represent the level of the Index (or Successor Index) had such changes or modifications not been made, the Calculation Agent will make such calculations and adjustments as may be necessary to arrive at a level of an index comparable to the Index (or Successor Index) as if such changes or modifications had not been made. In each such event, the Calculation Agent's determination of the value of the Notes will affect the amount you may receive at maturity. See "Description of the Notes" and "Description of the Portfolio."

If a Merger Event, Tender Offer, Nationalization, Delisting, Insolvency, or Potential Adjustment Event (each as defined below in Description of the Notes - Antidilution Adjustments with respect to the Index Funds) with respect to an Index Fund occurs, it may become difficult to determine the trading value of the Notes or the Cash Settlement Value. If one of those corporate events occur with respect to an Index Fund, the Calculation Agent will determine whether such corporate event will have a material effect on that Index Fund or the Notes, or in the case of a Potential Adjustment Event, whether that Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of one share of that Index Fund. To the extent the Calculation Agent makes such a determination, the Calculation Agent will make the adjustments and computations described below in Description of the Notes - Antidilution Adjustments. The Calculation Agent will make such adjustments and computations to the relevant Initial Component Level, the relevant Observation Level, the Cash Settlement Value or any other variable for the event. See "Description of the Notes - Antidilution Adjustments with respect to the Index Funds." In each such event, the Calculation Agent's determination of the value of the Notes will affect the amount you may receive at maturity. See "Description of the Notes" and "Description of the Portfolio."

**We cannot control actions by any of the companies whose securities are included in any Component.**

The common stock of The Bear Stearns Companies Inc. is an underlying stock of the SPX. We are not affiliated with any of the other companies whose securities underlie any of the Components. However, we may currently, or in the future, engage in business with these companies. Actions by any company whose security is part of a Component may have an adverse effect on the price of the company's securities, the trading price of and the closing level of the Component and the Portfolio, and the trading value of the Notes. None of those companies are involved in this offering or has any obligations with respect to the Notes, including any obligation to take our or your interests into consideration for any reason. These other companies will not receive any of the proceeds of this offering and are not responsible for, and have not participated in, the determination of the timing of, prices for, or quantities of, the Notes to be issued. These other companies are not involved with the administration, marketing or trading of the Notes and have no obligations with respect to the amount to be paid to you under the Notes on the Maturity Date.

Neither we nor any of our affiliates, including Bear Stearns, assumes any responsibility for the adequacy or accuracy of any publicly available information about the securities underlying the Components (other than with respect to our common stock) or the Components. You should make your own investigation into the companies underlying each Component.

**We and our affiliates have no affiliation with any Index Sponsor or either Index Fund Issuer and are not responsible for any Index Sponsor or either Index Fund Issuer's public disclosure of information.**

We and our affiliates are not affiliated in any way with any Index Sponsor or either Index Fund Issuer (except for the licensing arrangements discussed in the section "Description of the Portfolio") and have no ability to control or predict any Index Sponsor or either Index Fund Issuer's actions, including any errors in or discontinuation of disclosure regarding its methods or policies relating to the calculation of the applicable Component. Neither we nor any of our affiliates assumes any responsibility for the adequacy or accuracy of the information about the Components, the Index Sponsors, or the Index Fund Issuers contained in this pricing supplement. You, as an investor in the Notes, should make your own investigation into the Components, the Index Sponsors and the Index Fund Issuers. The Index Sponsors and the Index Fund Issuers are not involved in any way in the offering of the Notes and have no obligation to consider your interests as an owner of Notes when they take any actions that might affect the value of the Notes.

**Trading and other transactions by us or our affiliates could affect the prices of the constituents underlying the Components, the Observation Levels, the trading value of the Notes or the amount you may receive at maturity.**

We and our affiliates may from time to time buy or sell interests in the constituents underlying the Components or derivative instruments the value of which depend, directly or indirectly upon, those constituents for our own accounts in connection with our normal business practices or in connection with hedging our obligations under the Notes and other instruments. These trading activities may present a conflict of interest between your interest in the Notes and the interests we and our affiliates may have in our proprietary accounts, in facilitating transactions, including block trades, for our other customers and in accounts under our management. The transactions could affect the prices of those constituents or the Observation Levels in a manner that would be adverse to your investment in the Notes. See the section "Use of Proceeds and Hedging."

The original issue price of the Notes includes the cost of hedging our obligations under the Notes. Such cost includes BSIL's expected cost of providing such hedge and the profit BSIL expects to realize in consideration for assuming the risks inherent in providing such hedge. As a result, assuming no change in market conditions or any other relevant factors, the price, if any, at which Fifth Third will be willing to purchase Notes from you in secondary market transactions, if at all, will likely be lower than the original issue price. In addition, any such prices may differ from values determined by pricing models used by Fifth Third as a result of transaction costs. If you sell the Notes prior to maturity, you may receive less, and possibly significantly less, than your initial investment in the Notes.

Hedging activities we or our affiliates may engage in may affect the levels or prices, as applicable, of the Components and the Observation Levels and, accordingly, increase or decrease the trading value of the Notes prior to maturity and the Cash Settlement Value you would receive at maturity. To the extent that we or any of our affiliates has a hedge position in any of the constituents that underlie the Components, or derivative or synthetic instruments related to those constituents or the Components, we or any of our affiliates may liquidate a portion of such holdings at or about the time of the maturity of the Notes or at or about the time of a change in the constituents that underlie the Components. Depending on, among other things, future market conditions, the aggregate amount and the composition of such hedge positions are likely to vary over time. Profits or losses from any of those positions cannot be ascertained until the position is closed out and any offsetting position or positions are taken into account. Although we have no reason to believe that any of those activities will have a material effect on the levels or prices, as applicable, of the Components, we cannot assure you that these activities will not affect such levels or prices, as applicable, and the trading value of the Notes prior to maturity or the Cash Settlement Value payable at maturity.

In addition, we or any of our affiliates may purchase or otherwise acquire a long or short position in the Notes. We or any of our affiliates may hold or resell the Notes. We or any of our affiliates may also take positions in other types of appropriate financial instruments that may become available in the future.

**Research reports and other transactions may create conflicts of interest between you and us.**

We or one or more of our affiliates have published, and may in the future publish, research reports relating to the Portfolio, the Indices or Index Funds included in the Portfolio or the constituents underlying the Components in the Portfolio. This research may be modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Notes. Any of these activities may affect the market prices of the constituents underlying the Components and, therefore, the value of the Notes.

We or any of our affiliates may also issue, underwrite or assist unaffiliated entities in the issuance or underwriting of other securities or financial instruments with returns indexed to the Portfolio, a Component of the Portfolio or the constituents underlying the Components included in the Portfolio. By introducing competing products into the marketplace in this manner, we or our affiliates could adversely affect the value of the Notes.

We and our affiliates, at present or in the future, may engage in business with the companies issuing the securities underlying certain of the Components in the Portfolio, including making loans to, equity investments in, or providing investment banking, asset management or other advisory services to those companies. In connection with these activities, we may receive information about those companies that we will not divulge to you or other third parties.

**The Cash Settlement Value you receive on the Notes may be delayed or reduced upon the occurrence of a Market Disruption Event, or an Event of Default.**

If the Calculation Agent determines that, on the Final Observation Date, a Market Disruption Event has occurred or is continuing, the determination of the Cash Settlement Value by the Calculation Agent and the date which you will receive that Cash Settlement Value may be deferred. You should refer to the section “Description of the Notes—Market Disruption Events.”