BEAR STEARNS COMPANIES INC
Form 424B2
January 31, 2008

Title of Each Class of Securities Offered	Maximum Aggregate Offering Price	Amount of Registration Fee[(1)]
Medium Term Notes, Series B	$8,000,000	$314.40

(1) Calculated in accordance with Rule 457(r) of the Securities Act of 1933, as amended. The filing fee of $314.40 is being paid in connection with the registration of these Medium-Term Notes, Series B.

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

The Bear Stearns Companies Inc.
$8,000,000 Medium-Term Notes, Series B, Linked to the Standard and Poor's 500® Index
Due February 2, 2009

- The Notes are fully principal protected if held to maturity and are linked to the performance of the Standard and Poor's 500® Index (the "Index").
- 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," which is an amount in cash equal to the principal amount of each Note plus a "Variable Return", where the Variable Return is calculated in the following manner:
- if, at all times during the Observation Period, the Index Level is observed below the Upper Barrier and above the Lower Barrier, then the Variable Return will equal the product of (i) the $1,000 principal amount of the Notes multiplied by (ii) the Participation Rate multiplied by (iii) the Index Return;
- however, if at any time during the Observation Period the Index Level is observed at or above the Upper Barrier or at or below the Lower Barrier, then the Variable Return will be equal to zero.
- The Index Return, on the Final Valuation Date, will equal the absolute value of the quotient of (i) the Final Index Level minus the Initial Index Level divided by (ii) the Initial Index Level.
- The Participation Rate is 100.00%.
- The Upper Barrier is 1,624.764, the Index Level that is 120.00% of the Initial Index Level.
- The Lower Barrier is 1,083.176, the Index Level that is 80.00% of the Initial Index Level.
- The CUSIP number for the Notes is 073928Z97.
- The Notes will not pay interest during their term.
- The Notes will not be listed on any securities exchange or quotation system.
- The Maturity Date for the Notes is expected to be February 2, 2009. If the Final Valuation Date is postponed, the Maturity Date will be three Business Days following the postponed Final Valuation Date.
- The Observation Period will be each day which is an Index Business Day for the Index from and including the Pricing Date to and including the Final Valuation Date.
- The scheduled Final Valuation Date for the Notes is January 28, 2009. The Final Valuation Date is subject to adjustment as described herein.

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-10.

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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%	$8,000,000
Agent’s discount	1.25%	$100,000
Proceeds, before expenses, to us	98.75%	$7,900,000

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 the level of the Index 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 January 31, 2008, 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.

We may grant our affiliate Bear, Stearns & Co. Inc. a 13-day option from the date of this pricing supplement to purchase from us up to an additional $1,200,000 of Notes at the public offering price to cover any over-allotments.

Bear, Stearns & Co. Inc.

January 31, 2008

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 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 "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, Linked to the Standard and Poor's 500® Index, due February 2, 2009 (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 fully principal protected if held to maturity. On the Maturity Date, you will receive the "Cash Settlement Value," which is an amount in cash equal to the $1,000 principal amount of each Note plus a "Variable Return", where the Variable Return is calculated in the following manner: (a) if at all times during the Observation Period the Index Level is observed below the Upper Barrier and above the Lower Barrier, then the Variable Return will equal the product of (i) the $1,000 principal amount of the Notes multiplied by (ii) the Participation Rate multiplied by (iii) the Index Return; however, (b) if at any time during the Observation Period the Index Level is observed at or above the Upper Barrier or at or below the Lower Barrier, then the Variable Return will be equal to zero. The Index Return, on the Final Valuation Date, will equal the absolute value of the quotient of (i) the Final Index Level minus the Initial Index Level divided by (ii) the Initial Index Level.

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, if you hold your Notes to maturity. If, at any time during the Observation Period, the Index Level is observed at or above the Upper Barrier or at or below the Lower Barrier, you will receive the principal amount of the Notes at maturity.

- Potential positive Variable Return with positive or negative performance of the Index—The closer to the Upper Barrier or the Lower Barrier that the Final Index Level is at maturity (provided that the Index Level was never observed at or above the Upper Barrier or at or below the Lower Barrier during the Observation Period), the greater the Cash Settlement Value you will receive under the Notes.

- Diversification—Because the Index represents a broad spectrum of the United States equity market, the Notes may allow you to diversify an existing portfolio.

- 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

- 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 interest, dividend or other payments—You will not receive any interest, 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 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. Our subsidiary, Bear, Stearns & Co. 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.

Key Terms

Issuer: The Bear Stearns Companies Inc.

Index: Standard & Poor's 500® Index (ticker "SPX"), as published by S&P (the "Sponsor").

Face amount: The Notes will be denominated in U.S. dollars. 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 $8,000,000. 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.

Cash Settlement Value: On the Maturity Date, you will receive the Cash Settlement Value which is an amount in cash equal to the $1,000 principal amount of each Note plus the Variable Return.

Variable Return: An amount determined by the Calculation Agent and calculated in the following manner:

(a) if at all times during the Observation Period the Index Level is observed below the Upper Barrier and above the Lower Barrier, then the Variable Return will equal the product of (i) the $1,000 principal amount of the Notes multiplied by (ii) the Participation Rate multiplied by (iii) the Index Return,

(b) however, if at any time during the Observation Period the Index Level is observed at or above the Upper Barrier or at or below the Lower Barrier, then the Variable Return will be equal to zero.

For purposes of determining the Variable Return:

"*Index Return*" means, with respect to the Final Valuation Date, the absolute value of the quotient of (i) the Final Index Level minus the Initial Index Level divided by (ii) the Initial Index Level.

"*Upper Barrier*" equals 1,624.764, the Index Level that is 120.00% of the Initial Index Level.

"*Lower Barrier*" equals 1,083.176, the Index Level that is 80.00% of the Initial Index Level.

"*Index Level*" means, as of any time or date of determination during the Observation Period, the index level as reported by the Sponsor and displayed on Bloomberg Page SPX <Index> <Go>.

	"*Observation Period*" means each day which is an Index Business Day for the Index from and including the Pricing Date to and including the Final Valuation Date.
	"*Initial Index Level*" equals 1,353.97, the Index Level on the Pricing Date.
	"*Final Index Level*" will be determined by the Calculation Agent and will equal the closing Index Level on the Final Valuation Date.
Interest:	The Notes will not bear interest.
Participation Rate:	100.00%
Pricing Date:	January 28, 2008.

Final Valuation Date:	January 28, 2009; provided that (i) if such date is not an Index Business Day (as defined herein), then the Final Valuation Date will be the next succeeding day that is an Index Business Day and (ii) if a Market Disruption Event (as defined herein) exists on the Final Valuation Date, the Final Valuation Date will be the next Index Business Day on which a Market Disruption Event does not exist for the Index. If the Final Valuation Date is postponed for three consecutive Index Business Days due to the existence of a Market Disruption Event, then, notwithstanding the existence of a Market Disruption Event on that third Index Business Day, that third Index Business Day will be the Final Valuation Date.
Maturity Date:	The Notes are expected to mature on February 2, 2009 unless such date is not a Business Day, in which case the Maturity Date shall be the next Business Day. If the Final Valuation Date is postponed, the Maturity Date will be three Business Days following the postponed Final Valuation Date.
Exchange listing:	The Notes will not be listed on any securities exchange or quotation system.
Index Business Day:	Means, with respect to the Index, any day on which the Primary Exchange (as defined below) and each Related Exchange (as defined below) are scheduled to be open for trading.
Primary Exchange:	The primary exchange or market of trading of any security then included in the Index.
Related Exchange:	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 Index.
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. (“Bear Stearns”). See the section “Description of the Notes - Calculation Agent” herein.

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" for selected risk considerations prior to making an investment in the Notes.

The Notes are expected to mature on February 2, 2009. The Notes do not provide for earlier redemption. When we refer to Notes in this pricing supplement, we mean Notes each with a principal amount of $1,000. You should refer to the section "Description of Notes" for a detailed description of the Notes prior to making an investment in the Notes.

What does "principal protected" mean?

"Principal protected" means that your principal investment in the Notes will not be at risk if you hold the Notes to maturity. If, at any time during the Observation Period the Index Level is observed at or above the Upper Barrier or at or below the Lower Barrier, you will receive the principal amount of the Notes at maturity. You may receive less than the principal amount of the Notes if you sell your Notes prior to maturity.

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 an amount in cash equal to the principal amount of each Note plus a "Variable Return", where the Variable Return is calculated in the following manner: (a) if at all times during the Observation Period the Index Level is observed below the Upper Barrier and above the Lower Barrier, then the Variable Return will equal the product of (i) the $1,000 principal amount of the Notes multiplied by (ii) the Participation Rate multiplied by (iii) the Index Return, (b) however, if at any time during the Observation Period the Index Level is observed at or above the Upper Barrier or at or below the Lower Barrier, then the Variable Return will be equal to zero. The Index Return, on the Final Valuation Date, will equal the absolute value of the quotient of (i) the Final Index Level minus the Initial Index Level divided by (ii) the Initial Index Level.

For more specific information about the Cash Settlement Value and for illustrative examples, you should refer to the section "Description 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 (i) any 13-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 will be a function of the prevailing market conditions and level of the Index at the time of the relevant sale.

Will I receive interest on the Notes?

You will not receive any periodic interest payments on the Notes. The only payment you will receive, if any, will be the Cash Settlement Value upon the 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 a capitalization-weighted index 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 January 28, 2008, the common stocks of 424 companies, or 84.80% of the market capitalization of the Index, were traded on the New York Stock Exchange ("NYSE"); the common stocks of 76 companies, or 15.20% of the market capitalization of the Index, were traded on The NASDAQ Global Select Market or the NASDAQ Global Market (collectively, the "NASDAQ"). As of that date, none of the common stocks included in the Index were companies traded on the American Stock Exchange ("AMEX").

For more information, see the section "Description of the Index."

How has the Index performed historically?

We have provided tables and graphs depicting the monthly performance of the Index from January 1998 through December 2007. 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 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. 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, the Notes will cease trading as of the close of business on the Maturity Date. You should refer generally to the section "Risk Factors." If you sell the Notes prior to maturity, you may receive less, and possibly significantly less, than your initial investment in the Notes.

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

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 will also 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. 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 an underlying equity index, they may be appropriate for investors with specific investment horizons who seek to participate in the Index Return at maturity. In particular, the Notes may be an attractive investment for investors who:

- want potential exposure to up or down price movements of the stocks underlying the Index;
- believe the Index Level will not be observed at or above the Upper Barrier or at or below the Lower Barrier at any time during the Observation Period.
- do not want to place your principal at risk and are willing to hold the Notes until maturity, and
- are willing to forgo current income in the form of interest payments on the Notes or dividend payments on the stocks underlying the Index.

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

- believe the Index Level will be observed at or above the Upper Barrier or at or below the Lower Barrier at any time during the Observation Period;
- you seek current income or dividend payments from your investment;
- you seek an investment with an active secondary market; or
- you are unable or unwilling to hold the Notes until maturity.

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 the fiduciary responsibility provisions 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 other 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" herein before investing in the Notes.

RISK FACTORS

Your investment in the Notes involves a degree of risk similar to investing in the Index. However, your ability to participate in the performance of the Index is limited. You will be subject to significant risks not associated with conventional fixed-rate or floating-rate debt securities. 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, and 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 your initial investment in the Notes.

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, if any, 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."

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 from 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 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 the section "Description of the Notes" for a detailed description of the Notes prior to making an investment in the Notes.

The amount you receive at maturity may not be greater than your initial investment in the Notes.

If at any time during the Observation Period the Index Level is observed at or above the Upper Barrier or at or below the Lower Barrier, the Variable Return on the Notes will be equal to zero and you will only receive the $1,000 principal amount of the Notes for each Note you hold to maturity.

Your ability to participate in the performance of the Index is limited.

Your ability to participate in the performance of the Index Level over the term of the Notes is limited to the range between the Upper Barrier and the Lower Barrier. In no event will the Variable Return equal or exceed $200.00 per Note (with a corresponding Cash Settlement Value of $1,200.00 per Note) because if the Index Level at any time during the Observation Period is observed at or above the Upper Barrier or at or below the Lower Barrier, then the Variable Return will be equal to zero. See "Description of the Notes—Illustrative Examples" herein.

If the Index Level at any time during the Observation Period is observed at or above the Upper Barrier or at or below the Lower Barrier, the market value of the Notes will decrease.

If the Index Level at any time during the Observation Period is observed at or above the Upper Barrier or at or below the Lower Barrier, the market value of the Notes may decline below the $1,000 principal amount of the Notes and will no longer be linked to the Index Level. If you try to sell your Notes on the secondary market prior to maturity in these circumstances, you may receive less than your initial investment in the Notes.

The Index Level is based on intra-day levels of the Index, not only closing levels of the Index.

The Index Level, which is used to determine whether the Upper Barrier and the Lower Barrier have been breached, is based on intra-day levels of the Index, not only closing levels of the Index. Therefore, because the intra-day low levels and the intra-day high levels will be less than or equal to, and greater than or equal to, the closing levels, respectively, it is more likely that the Upper Barrier or the Lower Barrier will be breached than if the Index Level were based solely on closing levels of the Index.

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 Index Level will fluctuate in accordance with changes in the financial condition of the companies issuing the common stocks comprising the Index, the prices 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, or the financial condition of the companies issuing the common stocks comprising the Index may strengthen or the general condition of the equity market may strengthen, either of which may cause the Index Level at any time during the Observation Period to be observed at or above the Upper Barrier or at or below the Lower Barrier and thus cause a decrease 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, inflation and interest rates, economic expansion or contraction, and global or regional political, economic, and banking crises. The Index Level is expected to fluctuate until the Maturity Date.

The historical performance of the Index is not an indication of the future performance of the Index.

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

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 alternative 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 Index, whether the Index Level at any time during the Observation Period is observed at or above the Upper Barrier or at or below the Lower Barrier, changes in U.S. interest rates, the supply of and demand for the Notes, the time remaining until maturity 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 Index Level is less than, equal to or not sufficiently above the Initial Index Level or if the Index Level at any time during the Observation Period is observed at or above the Upper Barrier or at or below the Lower Barrier. 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.

- *Index performance*. We expect that the value of the Notes prior to maturity will depend substantially on whether the Index Level at any time during the Observation Period is observed at or above the Upper Barrier or at or below the Lower Barrier. If you decide to sell your Notes when the Index Level at all times during the Observation Period has been observed below the Upper Barrier and above the Lower Barrier, you may nonetheless receive substantially less than the amount that would be payable at maturity based on those circumstances because of expectations that the Index Level will continue to fluctuate until the Final Index Level is determined. Economic, financial, regulatory, geographic, judicial, political and other developments that affect the common stocks in the Index may also affect the Index Level and, thus, the value of the Notes.

- *Volatility of the Index*. Volatility is the term used to describe the size and frequency of market fluctuations. If the volatility of the Index increases or decreases, the trading value of the Notes may be adversely affected. This volatility may increase the risk that the Index Level at any time during the Observation Period is observed at or above the Upper Barrier or at or below the Lower Barrier, which could negatively affect the trading value of Notes. The effect of the volatility of the Index on the trading value of the Notes may not necessarily decrease over time during the term of the Notes.

- *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 the Notes may decrease, and if U.S. interest rates decrease, the value of the Notes is expected to increase. Interest rates may also affect the economy and, in turn, the Index Level, which would affect the value of the Notes.

- *Our credit ratings, financial condition and results of operations*. Actual or anticipated changes in our current credit ratings, A2 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 Index Level, it is uncertain whether an improvement in our credit ratings, financial condition or results of operations will 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 Index Level 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, affecting the trading value of the Notes.

- *Dividend yield*. The value of the Notes may also be affected by the dividend yields on the stocks in the Index. In general, because the Index does not incorporate the value of dividend payments, higher dividend yields is expected to reduce the value of the Notes and, conversely, lower dividend yields is expected to increase the value of the Notes.

- *Events involving the companies issuing the common stocks comprising the Index*. General economic conditions and earnings results of the companies whose stocks comprise the Index, and real or anticipated changes in those conditions or results, may affect the trading value of the Notes. For example, some of the stocks included in the Index may be affected by mergers and acquisitions, which can contribute to volatility of the Index. As a result of a merger or acquisition, one or more stocks in the Index 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 Index.

- *Size and liquidity of the trading market*. The Notes will not be listed on any securities exchange or quotation system and we do not expect a trading market to develop. There may not be a secondary market in the Notes, which may affect the price that you receive for your Notes upon any sale prior to maturity. If a trading market does develop, there can be no assurance that there will be liquidity in the trading market. If the trading 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. If you sell the Notes prior to maturity, you may receive less, and possibly significantly less, than your initial investment in the Notes.

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.

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 the Index Level being below the Upper Barrier and above the Lower Barrier.

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 the 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 the Index.

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

Bear Stearns will act as the Calculation Agent. The Calculation Agent will make certain determinations and judgments in connection with calculating the Final Index Level, or deciding whether a Market Disruption Event (as defined herein) has occurred. You should refer to the sections "Description of the Notes - Discontinuance of the Index," "- Adjustments to the Index" and "- Market Disruption Events." Because Bear Stearns is our affiliate, conflicts of interest may arise in connection with Bear Stearns performing its role as Calculation Agent. Rules and regulations regarding broker-dealers (such as Bear Stearns) require Bear Stearns to maintain policies and procedures regarding the handling and use of confidential proprietary information, and such policies and procedures will be in effect throughout the term of the Notes. Bear Stearns is obligated to carry out its duties and functions as Calculation Agent in good faith, and using its reasonable judgment. See the section "Description of the Notes - Calculation Agent."

Our affiliates, including Bear Stearns, may, at various times, for their proprietary accounts, and for other accounts under their management, engage in transactions involving the stocks underlying the Index, exchange-traded and over-the-counter options on, or other derivative or synthetic instruments related to, the Index, individual futures contracts on the Index and on stocks included in the Index, futures contracts on the Index or options on these futures contracts. These transactions may influence the value of such stocks, and therefore the Index Level. 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 the section "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 its obligations under our hedge.

Changes that affect the calculation of the Index will affect the trading value of the Notes and the amount you will receive at maturity.

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

If the Sponsor discontinues or suspends calculation or publication of the Index, it may become difficult to determine the trading value of the Notes or the Cash Settlement Value. If this occurs, the Calculation Agent will determine the value of the Notes. As a result, the Calculation Agent's determination of the value of the Notes will affect the amount you will receive at maturity. In addition, if the Sponsor discontinues or suspends calculation of the Index at any time prior to the Maturity Date and a Successor Index (as defined herein) is not available or is not acceptable to the Calculation Agent, then the Calculation Agent will determine the amount payable at maturity by reference to a group of stocks and a computation methodology that the Calculation Agent determines will (as closely as reasonably possible) replicate the Index. The Index Level is only one of the factors that will affect this determination and the value of the Notes prior to maturity. See the sections "Description of the Notes - Discontinuance of the Index" and "Description of the Index."

The Sponsor may change the companies underlying the Index in a way that adversely affects the Index Level and consequently the value of the Notes.

The Sponsor can add, delete or substitute the stocks underlying the Index or make other methodological changes that could adversely change the Index Level, the Final Index Level and the value of the Notes. You should realize that changes in the companies included in the Index may affect the Index, as a newly added company may perform significantly better or worse than the company or companies it replaces.

We cannot control actions by any of the other companies whose stocks are included in the Index.

Our common stock is a component of the Index. However, we are not affiliated with any of the other companies whose stock underlies the Index. Actions by any company whose stock is part of the Index may have an adverse effect on the price of its stock, the Index Level, the Final Index Level, and the trading value of the Notes. These companies are not involved in this offering and have no obligations with respect to the Notes, including any obligation to take our or your interests into consideration for any reason. These 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 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.

We are not affiliated with any of the companies included in the Index and are not responsible for any disclosure by any such company. However, we may currently, or in the future, engage in business with such companies. 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 Index or any company included in the Index. You should make your own investigation into the Index and the companies underlying the Index.

We and our affiliates have no affiliation with the Sponsor and are not responsible for its public disclosure of information.

We and our affiliates are not affiliated in any way with the Sponsor (except for the licensing arrangements discussed in the section "Description of the Index—License Agreement") and have no ability to control or predict the Sponsor's actions, including any errors in or discontinuation of disclosure regarding its methods or policies relating to the calculation of the Index. Neither we nor any or our affiliates assumes any responsibility for the adequacy or accuracy of the information about the Index or the Sponsor contained in this pricing supplement. You, as an investor in the Notes, should make your own investigation into the Index and the Sponsor. The Sponsor is not involved in any way in the offering of the Notes and has no obligation to consider your interests as an owner of Notes when it takes 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 stocks underlying the Index, the Index Level, 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 shares of the stocks underlying the Index or derivative instruments related to those stocks 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 stocks or the Index Level 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 Bear Stearns 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 Bear Stearns 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 Index Level, including the Final Index Level, 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 stocks that comprise the Index, or derivative or synthetic instruments related to those stocks or the Index, 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 stocks that underlie the Index. 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 Index Level, we cannot assure you that these activities will not affect such level 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 on the Index or the companies issuing the common stock included in the Index. 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 price of common stocks included in the Index and, therefore, the Index Level, the Final Index Level and 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 Index. 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 common stock included in the Index, 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 Valuation Date, a Market Disruption Event has occurred or is continuing, the determination of the Final Index Level and, therefore, the Index Return by the Calculation Agent may be deferred. You should refer to the section "Description of the Notes - Market Disruption Events."

If the Calculation Agent determines that an Event of Default (as defined below) has occurred, a holder of the Notes will only receive an amount equal to the trading value of the Notes on the date of such Event of Default, adjusted by an amount equal to any losses, expenses and costs to us of unwinding any underlying hedging or funding arrangements, all as determined by the Calculation Agent. You should refer to the section "Description of the Notes—Event of Default and Acceleration."

You should decide to purchase the Notes only after carefully considering the suitability of the Notes in light of your particular financial circumstances. You should also carefully consider the tax consequences of investing in the Notes. You should refer to the section "Certain U.S. Federal Income Tax Considerations" and discuss the tax implications with your own tax advisor.

DESCRIPTION OF THE NOTES

The following description of the Notes (referred to in the accompanying prospectus supplement as the "Other Indexed Notes") supplements the description of the Notes in the accompanying prospectus supplement and prospectus. This is a summary and is not complete. You should read the indenture, dated as of May 31, 1991, as amended (the "Indenture"), between us and The Bank of New York as successor in interest to JPMorgan Chase Bank, N.A., as trustee (the "Trustee"). A copy of the Indenture is available as set forth under the section of the prospectus "Where You Can Find More Information."

General

The Notes are part of a single series of debt securities under the Indenture described in the accompanying prospectus supplement and prospectus designated as Medium-Term Notes, Series B. The Notes are unsecured and will rank equally with all of our unsecured and unsubordinated debt, including the other debt securities issued under the Indenture. Because we are a holding company, the Notes will be structurally subordinated to the claims of creditors of our subsidiaries.

The aggregate principal amount of the Notes will be $8,000,000. The Notes are expected to mature on February 2, 2009 and do not provide for earlier redemption. The Notes will be issued only in fully registered form, and in minimum denominations of $1,000; provided, however, that the minimum purchase for any purchaser domiciled in a member state of the European Economic Area shall be $100,000. Initially, the Notes will be issued in the form of one or more global securities registered in the name of DTC or its nominee, as described in the accompanying prospectus supplement and prospectus. When we refer to Note or Notes in this pricing supplement, we mean $1,000 principal amount of Notes. The Notes will not be listed on any securities exchange or quotation system.

You should refer to the section "Certain U.S. Federal Income Tax Considerations," for a discussion of certain federal income tax considerations to you as a holder of the Notes.

Future 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. Any additional issuances will increase the aggregate principal amount of the outstanding Notes of this series, plus the aggregate principal amount of any Notes bearing the same CUSIP number that are issued pursuant to any 13-day option we grant to Bear Stearns. The prices 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 Reference Indices at the time of the relevant sale.

Interest

We will not make any periodic payments of interest on the Notes. The only payment you will receive, if any, will be the Cash Settlement Value upon the maturity of the Notes.

Payment at Maturity

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 an amount in cash equal to the $1,000 principal amount of each Note plus a "Variable Return", where the Variable Return is calculated in the following manner: (a) if at all times during the Observation Period the Index Level is observed below the Upper Barrier and above the Lower Barrier, then the Variable Return will equal the product of (i) the $1,000 principal amount of the Notes multiplied by (ii) the Participation Rate multiplied by (iii) the Index Return; however, (b) if at any time during the Observation Period the Index Level is observed at or above the Upper Barrier or at or below the Lower Barrier, then the Variable Return will be equal to zero.

"Index Return" means, with respect to the Final Valuation Date, the absolute value of the quotient of (i) the Final Index Level minus the Initial Index Level divided by (ii) the Initial Index Level.

"Upper Barrier" equals 1,624.764, the Index Level that is 120.00% of the Initial Index Level.

"Lower Barrier" equals 1,083.176, the Index Level that is 80.00% of the Initial Index Level.

"Index Level" means, as of any time or date of determination during the Observation Period, the index level as reported by the Sponsor and displayed on Bloomberg Page SPX <Index> <Go>.

"Observation Period" means each day which is an Index Business Day for the Index from and including the Pricing Date to and including the Final Valuation Date.

The "Initial Index Level" equals 1,353.97, the Index Level on the Pricing Date.

The "Final Index Level" will be determined by the Calculation Agent and will equal the closing Index Level on the Final Valuation Date.

The "Participation Rate" equals 100.00%.

The "Pricing Date" will be January 28, 2008.

The "Final Valuation Date" will be January 28, 2009; provided that (i) if such date is not an Index Business Day (as defined herein), then the Final Valuation Date will be the next succeeding day that is an Index Business Day and (ii) if a Market Disruption Event (as defined herein) exists on the Final Valuation Date, the Final Valuation Date will be the next Index Business Day on which a Market Disruption Event does not exist for the Index. If the Final Valuation Date is postponed for three consecutive Index Business Days due to the existence of a Market Disruption Event, then, notwithstanding the existence of a Market Disruption Event on that third Index Business Day, that third Index Business Day will be the Final Valuation Date.

The "Maturity Date" is expected to be February 2, 2009 unless such date is not a Business Day, in which case the Maturity Date shall be the next Business Day. If the Final Valuation Date is postponed, the Maturity Date will be three Business Days following the postponed Final Valuation Date.

"Index Business Day" means, with respect to the Index, any day on which the Primary Exchange (as defined below) and each Related Exchange (as defined below) 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.

"Primary Exchange" means the primary exchange or market of trading of any security then included in the Index.

"Related Exchange" means 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 Index.

Illustrative Examples

The following tables and graphs are for illustrative purposes and are not indicative of the future performance of the Index or the future value of the Notes.

Because the Index Level may be subject to significant fluctuation over the term of the Notes, it is not possible to present a chart or table illustrating the complete range of all possible Cash Settlement Values. Therefore, the examples do not purport to be representative of every possible scenario concerning increases or decreases in the Index Level during the term of the Notes or whether, at any time during the Observation Period, the Index Level is observed at or above the Upper Barrier or at or below the Lower Barrier. You should not construe these examples or the data included in any table or graph below as an indication or assurance of the expected performance of the Notes.

You can review the historical levels of the Index in the section of this pricing supplement called "Description of the Index." The historical performance of the Index included in this pricing supplement should not be taken as an indication of the future performance of the Index. It is impossible to predict whether the Final Index Level will be greater than or less than the Initial Index Level or whether, at any time during the Observation Period, the Index Level will be observed at or above the Upper Barrier or at or below the Lower Barrier during the term of the Notes.

The table and corresponding examples below demonstrate the hypothetical Cash Settlement Value of a Note and are based on the following assumptions:

- Investor purchases $1,000.00 aggregate principal amount of Notes at the initial public offering price of $1,000.00.
- Investor holds the Notes to maturity.
- The Initial Index Level is equal to 1,400.00.
- The Lower Barrier is 1,120.00 (representing 80.00% of the Initial Index Level).
- The Upper Barrier is 1,680.00 (representing 120.00% of the Initial Index Level).
- The Participation Rate is 100.00%.
- All returns are based on a 12-month term; pre-tax basis.
- No Market Disruption Events occur during the term of the Notes.

	Example 1	**Example 2**	**Example 3**	**Example 4**	**Example 5**	**Example 6**
Highest Index Level during term of Note	1,652.00	1,820.00	1,652.00	1,652.00	2,100.00	1,610.00
Upper Barrier Breached	No	Yes	No	No	Yes	No
Lowest Index Level during term of Note	1,127.00	1,127.00	1,190.00	980.00	910.00	1,148.00
Lower Barrier Breached	No	No	No	Yes	Yes	No
Final Index Level	1,134.00	1,134.00	1,638.00	1,652.00	2,100.00	1,437.33
Index Return	-19.00%	-19.00%	17.00%	18.00%	50.00%	2.67%
Variable Return	$190.00	$0.00	$170.00	$0.00	$0.00	$26.67
Cash Settlement Value per Note	**$1,190.00**	**$1,000.00**	**$1,170.00**	**$1,000.00**	**$1,000.00**	**$1,026.67**

Example 1:

In this example, the Index Level, at all times during the Observation Period, is observed below the Upper Barrier and above the Lower Barrier. The Index Return, as calculated below, is 19.00%.

Therefore, the Cash Settlement Value would equal $1,190.00, or the $1,000.00 principal amount of the Notes plus the Variable Return of $190.00; where the Variable Return is as calculated below:

Variable Return = $1,000.00 x Participation Rate x Index Return

Variable Return = $1,000.00 x 100.00% x 19.00%

Variable Return = $190.00

In this example, although the Final Index Level is lower than the Initial Index Level, your return on investment will still be positive (in this case, 19.00%), because (1) the Index Return measures the *absolute value* of the quotient of (i) the Final Index Level minus the Initial Index Level divided by (ii) the Initial Index Level, and (2) at all times during the Observation Period, the Index Level was observed below the Upper Barrier and above the Lower Barrier.

Example 2:

In this example, the Index Level at some time during the Observation Period is observed above the Upper Barrier. Although the Final Index Level in this Example 2 is equal to the Final Index Level in Example 1, and therefore the Index Return for this Example 2 would also equal the Index Return in Example 1, because the Index Level at some time during the Observation Period was observed above the Upper Barrier the Variable Return equals zero.

Therefore, the Cash Settlement Value would equal the $1,000.00 principal amount of the Notes.

In this example, your return on investment would be 0.00%, because at some time during the Observation Period the Index Level was observed above the Upper Barrier.

Example 3:

In this example, the Index Level, at all times during the Observation Period, is observed below the Upper Barrier and above the Lower Barrier. The Index Return, as calculated below, is 17.00%.

Therefore, the Cash Settlement Value would equal $1,170.00, or the $1,000.00 principal amount of the Notes plus the Variable Return of $170.00; where the Variable Return is as calculated below:

Variable Return = $1,000.00 x Participation Rate x Index Return

Variable Return = $1,000.00 x 100.00% x 17.00%

Variable Return = $170.00

In this example, your return on investment will be positive (in this case, 17.00%), because at all times during the Observation Period, the Index Level was observed below the Upper Barrier and above the Lower Barrier.

Example 4:

In this example, the Index Level at some time during the Observation Period is observed below the Lower Barrier. Although the Final Index Level is greater than the Initial Index Level, because the Index Level at some time during the Observation Period was observed below the Lower Barrier, the Variable Return equals zero.

Therefore, the Cash Settlement Value would equal the $1,000.00 principal amount of the Notes.

In this example, your return on investment would be 0.00%, because, at some time during the Observation Period the Index Level was observed below the Lower Barrier.

Example 5:

In this example, the Index Level at some time during the Observation Period is observed above the Upper Barrier and the Index Level, at another time during the Observation Period, is observed below the Lower Barrier. Although the Final Index Level is greater than the Initial Index Level, because the Index Level, at some time during the Observation Period, was observed above the Upper Barrier and the Index Level and, at another time during the Observation Period, was observed below the Lower Barrier, the Variable Return equals zero.

Therefore, the Cash Settlement Value would equal the $1,000.00 principal amount of the Notes.

In this example, your return on investment would be 0.00%, because, at some time during the Observation Period, the Index Level was observed above the Upper Barrier and, at another time during the Observation Period, the Index Level was observed below the Lower Barrier.

Example 6:

In this example, the Index Level, at all times during the Observation Period, is observed below the Upper Barrier and above the Lower Barrier. The Index Return, as calculated below, is 2.67%.

Therefore, the Cash Settlement Value would equal $1,026.67, or the $1,000.00 principal amount of the Notes plus the Variable Return of $26.67; where the Variable Return is as calculated below:

Variable Return = $1,000.00 x Participation Rate x Index Return

Variable Return = $1,000.00 x 100.00% x 2.67%

Variable Return = $26.67

In this example, your return on investment will be positive (in this case, 2.67%), because at all times during the Observation Period, the Index Level was observed below the Upper Barrier and above the Lower Barrier.

Discontinuance of the Index

If the Sponsor discontinues publication of or otherwise fails to publish the Index and the Sponsor or another entity publishes a successor or substitute index that the Calculation Agent determines to be comparable to the discontinued Index (such index being referred to as a “Successor Index”), then the Index Levels for the Index will be determined by reference to the level of the Successor Index on the Relevant Exchanges or markets for the Successor Index on the date and time of determination for which the level for such Successor Index is to be determined.