BEAR STEARNS COMPANIES INC
Form 424B5
September 28, 2006

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CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities Offered	Maximum Aggregate Offering Price	Amount of Registration Fee(1)
Medium-Term Notes, Series B	$700,000	$74.90

(1) Calculated in accordance with Rule 457(r) of the Securities Act of 1933, as amended. The filing fee of $75.90 is being paid in connection with the registration of these Medium-Term Notes, Series B.

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

PRICING SUPPLEMENT
(To Prospectus Dated August 16, 2006 and
Prospectus Supplement Dated August 16, 2006)

The Bear Stearns Companies Inc.
$700,000 Reverse Convertible Notes
14.5% Coupon, Due March 29, 2007
Linked to the common stock of Best Buy Co., Inc.

Terms used herein are defined in the prospectus supplement. The Notes offered will have the terms described in the prospectus supplement and the prospectus, as supplemented or modified by this pricing supplement. **THE NOTES DO NOT GUARANTEE ANY RETURN OF PRINCIPAL AT MATURITY.**

Reference Asset:	The common stock, par value $0.10 per share, of Best Buy Co., Inc. ("Best Buy"), traded on the New York Stock Exchange, Inc. ("NYSE") under the symbol "BBY."
Principal amount:	$700,000
Pricing Date:	September 26, 2006
Original Issue Date:	September 29, 2006
Calculation Date:	March 26, 2007, subject to postponement in the event of certain Market Disruption Events.
Maturity Date:	March 29, 2007
Coupon rate:	14.5% per annum, payable as a single payment of 7.25% of principal amount at maturity.
Interest Payment Date:	March 29, 2007
Initial Level:	$55.20, the Closing Price of the Reference Asset on the Pricing Date.
Final Level:	The Closing Price of the Reference Asset on the Calculation Date.
Contingent Protection Percentage:	80.00% of the Initial Level.
Contingent Protection Level:	$44.16, equal to the product of the Contingent Protection Percentage and the Initial Level.
Payment at maturity:	We will pay you 100% of the principal amount of your Notes, in cash, at maturity if either of the following is true: (i) the Closing Price of the Reference Asset never equals or falls below the Contingent Protection Level at any time from the Pricing Date up to and including the Calculation Date; or (ii) the Final Level of the Reference Asset is equal to or greater than the Initial Level of the Reference Asset. However, if both of the following are true, the amount of principal you receive at maturity will be reduced by the percentage decrease in the Reference Asset: (i) the Closing Price of the Reference Asset ever equals or falls below the Contingent Protection Level at any time from the Pricing Date up to and including the Calculation Date; and (ii) the Final Level of the Reference Asset is less than the Initial Level of the Reference Asset. In that event, we, at our option, will either: (i) physically deliver to you an amount of the Reference Asset equal to the Exchange Ratio plus the Fractional Share Cash Amount (which means that you will receive shares with a market value that is less than the full principal amount of your Notes); or (ii) pay you a cash amount equal to the principal amount you invested reduced by the percentage decrease in the Reference Asset. It is our intent to physically deliver the Reference Asset when applicable, but we reserve the right to settle the Note in cash.
Exchange Ratio:	18; i.e., $1,000 divided by the Initial Level (rounded down to the nearest whole number, with fractional shares to be paid in cash).
Fractional Share Cash Amount:	An amount in cash per Note equal to the Final Level multiplied by the difference between (x) $1,000 divided by the Initial Level (rounded to the nearest three decimal places), and (y) the Exchange Ratio.
CUSIP:	073902KX5
Listing:	The Notes will not be listed on any U.S. securities exchange or quotation system.

INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. YOU SHOULD REFER TO "RISK FACTORS" BEGINNING ON PAGE PS-4 BELOW.

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%	$ 700,000
Agent's discount	1.0214%	7,150
Proceeds, before expenses, to us	98.9786%	$ 692,850

We may grant the agents a 30-day option from the date of the final pricing supplement, to purchase from us up to an additional $105,000 of Notes at the public offering price, less the agent's discount, to cover any over-allotments. We expect that the Notes will be ready for delivery in book-entry form only through the book-entry facilities of The Depository Trust Company in New York, New York, on or about the Original Issue Date, against payment in immediately available funds. The distribution of the Notes will conform to the requirements set forth in Rule 2720 of the National Association of Securities Dealers, Inc. Conduct Rules.

Bear, Stearns & Co. Inc.

September 26, 2006

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement (including a prospectus, as supplemented by a prospectus supplement) with the SEC, for the offering to which this pricing supplement relates. Before you invest, you should read the prospectus and prospectus supplement and any other documents relating to this offering that we have filed with the SEC for more complete information about us and this offering. You should carefully consider, among other things, the matters set forth in "Risk Factors" in the pricing supplement, as the Notes involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisers before you invest in the Notes. You may get these documents without cost by visiting EDGAR on the SEC web site at www.sec.gov. Alternatively, the Agent will arrange to send you the prospectus and the prospectus supplement if you so request by calling toll-free 866-803-9204.

You may access these documents on the SEC web site at www.sec.gov as follows:

Prospectus Supplement, dated August 16, 2006, and Prospectus, dated August 16, 2006:
http://www.sec.gov/Archives/edgar/data/777001/000104746906011011/a2172742z424b5.htm

RETURN ON THE NOTES

The Notes are not principal protected and you may lose some or all of your principal.

Payment at Maturity

We will pay you 100% of the principal amount of your Notes, in cash, at maturity if either of the following is true: (i) the Closing Price of the Reference Asset never equals or falls below the Contingent Protection Level at any time from the Pricing Date up to and including the Calculation Date; or (ii) the Final Level of the Reference Asset is equal to or greater than the Initial Level of the Reference Asset.

However, if both of the following are true, the amount of principal you receive at maturity will be reduced by the percentage decrease in the Reference Asset: (i) the Closing Price of the Reference Asset ever equals or falls below the Contingent Protection Level at any time from the Pricing Date up to and including the Calculation Date; and (ii) the Final Level of the Reference Asset is less than the Initial Level of the Reference Asset.

In that event, we, at our option, will either: (i) physically deliver to you an amount of the Reference Asset equal to the Exchange Ratio plus the Fractional Share Cash Amount (which means that you will receive shares with a market value that is less than the full principal amount of your Notes); or (ii) pay you a cash amount equal to the principal amount you invested reduced by the percentage decrease in the Reference Asset. It is our intent to physically deliver the Reference Asset when applicable, but we reserve the right to settle the Note in cash.

We will (i) provide written notice to the Trustee and to the Depositary, on or prior to the Business Day immediately prior to the Maturity Date of the amount of cash or number of shares of the Reference Asset, as applicable, to be delivered, and (ii) deliver such cash or shares of the Reference Asset (and cash in respect of coupon and any fractional shares of the Reference Asset), if applicable, to the Trustee for delivery to you. The Calculation Agent shall determine the Exchange Ratio.

Interest

The interest rate for the Notes is designated on the cover of this pricing supplement. The interest paid will include interest accrued from the Original Issue Date to, but excluding, the Maturity Date. Interest will be paid to the person to whom principal is payable.

RISK FACTORS

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.

The following highlights some, but not all, of the risk considerations relevant to investing in the Notes. **The following must be read in conjunction with the sections "Risk Factors" and "Risk Factors Additional Risks Relating to Notes with an Equity Security or Equity Index as the Reference Asset," beginning on pages S-7 and S-14, respectively, in the Prospectus Supplement.**

Suitability of Note for Investment A person should reach a decision to invest in the Notes after carefully considering, with his or her advisors, the suitability of the Notes in light of his or her investment objectives and the information set out in the Pricing Supplement. Neither the Issuer nor any dealer participating in the offering makes any recommendation as to the suitability of the Notes for investment.

Not Principal Protected The Notes are not principal protected. If both of the following are true, the amount of principal you receive at maturity will be reduced by the percentage decrease in the Reference Asset: (i) the Closing Price of the Reference Asset ever equals or falls below the Contingent Protection Level at any time from the Pricing Date to and including the Calculation Date; and (ii) the Final Level of the Reference Asset is less than the Initial Level of the Reference Asset. In that event, we, at our option, will either: (i) physically deliver to you an amount of the Reference Asset equal to the Exchange Ratio plus the Fractional Share Cash Amount (which means that you will receive shares with a market value that is less than the full principal amount of your Notes); or (ii) pay you a cash amount equal to the principal amount you invested reduced by the percentage decrease in the Reference Asset.

Return Limited to Coupon Your return is limited to the principal amount you invested plus the coupon payments. You will not participate in any appreciation in the value of the Reference Asset.

No Secondary Market Because the Notes will not be listed on any securities exchange, a secondary trading market is not expected to develop, and, if such a market were to develop, it may not be liquid. Bear, Stearns & Co. Inc. intends under ordinary market conditions to indicate prices for the Notes on request. However, there can be no guarantee that bids for outstanding Notes will be made in the future; nor can the prices of those bids be predicted.

No Interest, Dividend or Other Payments You will not receive any interest or dividend payments or other distributions on the stock comprising the Reference Asset; nor will such payments be included in the calculation of the Cash Settlement Value you will receive at maturity.

Taxes We intend to treat each Note as a put option written by you in respect of the Reference Asset and a deposit with us of cash in an amount equal to the principal amount of the Note to secure your potential obligation under the put option. Pursuant to the terms of the Notes, you agree to treat the Notes in accordance with this characterization for all U.S. federal income tax purposes. However, because there are no regulations, published rulings or judicial decisions addressing the characterization for U.S. federal income tax purposes of securities with terms that are substantially the same as those of the Notes, other characterizations and treatments are possible. See "Certain U.S. Federal Income Tax Considerations" below.

The Notes are Subject to Equity Market Risks The Notes involve exposure to price movements in the equity securities to which they are linked. Equity securities price movements are difficult to predict, and equity securities may be subject to volatile increases or decreases in value.

The Notes may be Affected by Certain Corporate Events and you will have Limited Antidilution Protection Following certain corporate events relating to the underlying Reference Asset (where the underlying company is not the surviving entity), you will receive at maturity, cash or a number of shares of the common stock of a successor corporation to the underlying company, based on the Closing Price of such successor's common stock. The Calculation Agent for the Notes will adjust the amount payable at maturity by adjusting the Initial Level of the Reference Asset, Contingent Protection Percentage, Contingent Protection Level and Exchange Ratio for certain events affecting the Reference Asset, such as stock splits and stock dividends and certain other corporate events involving an underlying company. However, the Calculation Agent is not required to make an adjustment for every corporate event that can affect the Reference Asset. If an event occurs that is perceived by the market to dilute the Reference Asset but that does not require the Calculation Agent to adjust the amount of the Reference Asset payable at maturity, the market value of the Notes and the amount payable at maturity may be materially and adversely affected.

ILLUSTRATIVE EXAMPLES

The following are illustrative examples demonstrating the hypothetical amount payable at maturity based on the assumptions outlined below. These examples do not purport to be representative of every possible scenario concerning increases or decreases in the Reference Asset or of the movements that are likely to occur with respect to the relevant Reference Asset. You should not construe these examples or the data included in tables as an indication of the expected performance of the Notes. Some amounts are rounded and actual returns may be different.

Assumptions:

Investor purchases $1,000 principal amount of Notes on the Pricing Date at the initial offering price of 100% and holds the Notes to maturity. No Market Disruption Events or Events of Default occur during the term of the Notes.

Initial Level: $51.00

Contingent Protection Percentage: 80%

Contingent Protection Level: $40.80 ($51.00 × 80%)

Exchange Ratio: 19 ($1,000/$51.00)

Coupon: 14.50% per annum, paid as a single payment of 7.25% of principal amount at maturity.

The reinvestment rate on any interest payments made during the term of the Notes is assumed to be 0%. The 6-month total return on a direct investment in the Reference Asset is calculated below prior to the deduction of any brokerage fees or charges. Both a positive reinvestment rate, or the incurrence of any brokerage fees or charges, would increase the total return on the Notes relative to the total return of the Reference Asset.

Maturity: 6 months

Dividend and dividend yield on the Reference Asset: $0.40 and 0.80% per annum.

Example 1 On the Calculation Date, the Final Level of $56.10 is greater than the Initial Level, resulting in a payment at maturity of $1,000, regardless of whether the Contingent Protection Level was ever reached or breached, plus one interest payment of $72.50, for payments totaling $1,072.50. If you had invested directly in the Reference Asset for the same 6-month period, you would have received total cash payments of $1,104.00 (number of shares of the Reference Asset multiplied by the Final Level plus the dividend payments), assuming liquidation of shares at the Final Level. You would have earned a 7.25% return with an investment in the Notes and a 10.40% return with a direct investment in the Reference Asset.

Example 2 On the Calculation Date, the Final Level of $45.90 is below the Initial Level, but the Closing Price never equaled or fell below the Contingent Protection Level. As discussed in example 1 above, an investor would receive total payments of $1,072.50, earning a 7.25% return over the term of the Notes. A direct investment in the Reference Asset during that same 6-month time period would have generated a return of $904.00 (number of shares of the Reference Asset multiplied by the Final Level plus the dividend payments), assuming liquidation of shares at the Final Level. You would have earned a 7.25% return with an investment in the Notes and incurred a loss of 9.60% with a direct investment in the Reference Asset.

Example 3 On the Calculation Date, the Final Level of $28.05 is below the Initial Level and also is below the Contingent Protection Level. At our election, an investor would receive a number of shares equal to the Exchange Ratio, plus the Fractional Share Cash Amount plus the one interest payment of $72.50, which is 19 shares (worth $28.05 each) plus $17.05 (the Fractional Share Cash Amount) plus $72.50 (the one interest payment). The cash equivalent equals $622.50. If you had invested directly in the Reference Asset for the same 6-month period, you would have received total cash payments of $554.00 (number of shares of the Reference Asset multiplied by the Final Level plus the dividend payments), assuming liquidation of shares at the Final Level. An investment in the Notes would have resulted in a loss of 37.75%, while a direct investment in the Reference Asset would have resulted in a loss of 44.60%.

Table of Hypothetical Cash Settlement Values

Assumes the Closing Price *Never* Equals or Falls Below the Contingent Protection Price Before the Calculation Date

		Investment in the Notes			Direct Investment in the Reference Asset		
Initial Level	Hypothetical Final Level	Cash Settlement Value	Total Coupon Payments (in % Terms)	6-Month Total Return	Percentage Change in Value of Reference Asset	6-Month Dividend Yield	6-Month Total Return
51.00	63.75	$ 1,000.00	7.25%	7.25%	25.00%	0.40%	25.40%
51.00	61.20	$ 1,000.00	7.25%	7.25%	20.00%	0.40%	20.40%
51.00	58.65	$ 1,000.00	7.25%	7.25%	15.00%	0.40%	15.40%
51.00	56.10	$ 1,000.00	7.25%	7.25%	10.00%	0.40%	10.40%
51.00	53.55	$ 1,000.00	7.25%	7.25%	5.00%	0.40%	5.40%
51.00	51.00	$ 1,000.00	7.25%	7.25%	0.00%	0.40%	0.40%
51.00	48.45	$ 1,000.00	7.25%	7.25%	-5.00%	0.40%	-4.60%
51.00	45.90	$ 1,000.00	7.25%	7.25%	-10.00%	0.40%	-9.60%
51.00	43.35	$ 1,000.00	7.25%	7.25%	-15.00%	0.40%	-14.60%

Table of Hypothetical Cash Settlement Values

Assumes the Closing Price *Does* Equal or Fall Below the Contingent Protection Price Before the Calculation Date

		Investment in the Notes			Direct Investment in the Reference Asset		
Initial Level	Hypothetical Final Level	Cash Settlement Value	Total Coupon Payments (in % Terms)	6-Month Total Return	Percentage Change in Value of Reference Asset	Dividend Yield	6-Month Total Return
51.00	63.75	$ 1,000.00	7.25%	7.25%	25.00%	0.40%	25.40%
51.00	61.20	$ 1,000.00	7.25%	7.25%	20.00%	0.40%	20.40%
51.00	58.65	$ 1,000.00	7.25%	7.25%	15.00%	0.40%	15.40%
51.00	56.10	$ 1,000.00	7.25%	7.25%	10.00%	0.40%	10.40%
51.00	53.55	$ 1,000.00	7.25%	7.25%	5.00%	0.40%	5.40%
51.00	51.00	$ 1,000.00	7.25%	7.25%	0.00%	0.40%	0.40%
51.00	48.45	$ 950.00	7.25%	2.25%	-5.00%	0.40%	-4.60%
51.00	45.90	$ 900.00	7.25%	-2.75%	-10.00%	0.40%	-9.60%
51.00	43.35	$ 850.00	7.25%	-7.75%	-15.00%	0.40%	-14.60%
51.00	40.80	$ 800.00	7.25%	-12.75%	-20.00%	0.40%	-19.60%
51.00	38.25	$ 750.00	7.25%	-17.75%	-25.00%	0.40%	-24.60%
51.00	35.70	$ 700.00	7.25%	-22.75%	-30.00%	0.40%	-29.60%
51.00	33.15	$ 650.00	7.25%	-27.75%	-35.00%	0.40%	-34.60%
51.00	30.60	$ 600.00	7.25%	-32.75%	-40.00%	0.40%	-39.60%
51.00	28.05	$ 550.00	7.25%	-37.75%	-45.00%	0.40%	-44.60%
51.00	25.50	$ 500.00	7.25%	-42.75%	-50.00%	0.40%	-49.60%
51.00	22.95	$ 450.00	7.25%	-47.75%	-55.00%	0.40%	-54.60%

REFERENCE ASSET

Additional Information Regarding the Reference Asset

We urge you to read the section "Sponsors or Issuers and Reference Asset" on page S-25 in the Prospectus Supplement. Companies with securities registered under the Exchange Act are required to file periodically certain financial and other information specified by the SEC. Information provided to or filed with the SEC electronically can be accessed through a website maintained by the SEC. The address of the SEC's website is http://www.sec.gov. Information provided to or filed with the SEC pursuant to the Exchange Act by a company issuing a Reference Asset can be located by reference to the SEC file number provided below.

The summary information below regarding the company issuing the stock comprising the Reference Asset comes from the issuer's SEC filings and has not been independently verified by us. We do not make any representations as to the accuracy or completeness of such information or of any filings made by the issuer of the Reference Asset with the SEC. **Investors are urged to refer to the SEC filings made by the issuer and to other publicly available information (such as the issuer's annual report) to obtain an understanding of the issuer's business and financial prospects. The summary information contained below is not designed to be, and should not be interpreted as, an effort to present information regarding the financial prospects of the issuer or any trends, events or other factors that may have a positive or negative influence on those prospects or as an endorsement of the issuer.**

Best Buy Co., Inc. ("Best Buy")

Best Buy Co., Inc.'s ("Best Buy") common stock, par value $0.10 per share, trades on the NYSE under the symbol "BBY." Best Buy is a specialty retailer of consumer electronics, home-office products, entertainment software, appliances and related services. It operates retail stores and commercial Web sites under the brand names Best Buy (BestBuy.com and BestBuyCanada.ca), Future Shop (FutureShop.ca), Magnolia Audio Video (MagnoliaAV.com) and Geek Squad (GeekSquad.com and GeekSquad.ca). **Best Buy's SEC file number is 001-09595.**

Historical Performance of the Reference Asset

The following table sets forth on a per share basis the high and low closing sales prices, as well as end-of-quarter closing prices, for the Reference Asset during the periods indicated below. We obtained the information in the table below from Bloomberg Financial Markets, without independent verification.

Quarter Ending	Quarterly High	Quarterly Low	Quarterly Close	Quarter Ending	Quarterly High	Quarterly Low	Quarterly Close
December 31, 2001	75.20	42.60	76.48	June 30, 2004	56.25	49.03	50.74
March 28, 2002	80.62	65.25	79.20	September 30, 2004	55.02	43.87	54.24
June 28, 2002	79.75	33.50	36.30	December 31, 2004	62.20	54.27	59.42
September 30, 2002	37.30	18.50	22.31	March 31, 2005	60.72	50.87	54.01
December 31, 2002	30.45	16.99	24.15	June 30, 2005	70.36	47.90	68.55
March 31, 2003	31.23	23.65	26.97	September 30, 2005	79.75	40.40	43.53
June 30, 2003	44.93	25.55	43.92	December 31, 2005	51.65	40.66	43.48
September 30, 2003	54.10	39.62	47.52	March 31, 2006	57.69	43.32	55.93
December 31, 2003	62.70	60.60	52.24	June 30, 2006	59.50	48.69	54.84
March 31, 2004	55.05	45.15	51.72	July 1, 2005 to September 14, 2006	55.51	43.51	52.46

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

This summary supplements the section entitled "Certain U.S. Federal Income Tax Considerations" in the prospectus supplement and supersedes it to the extent inconsistent therewith but is subject to the limitations and qualifications set forth therein. In the opinion of Cadwalader, Wickersham & Taft LLP, special U.S. tax counsel to us, the following discussion, when read together with the section entitled, "Certain U.S. Federal Income Tax Considerations" in the prospectus supplement, summarizes certain of the material U.S. federal income tax consequences of the purchase, beneficial ownership, and disposition of the Notes.

There are no statutory provisions, regulations, published rulings or judicial decisions addressing the characterization for U.S. federal income tax purposes of securities with terms that are substantially the same as those of the Notes. Under one approach, the Note should be treated as a put option written by you (the "Put Option") that permits us to (1) sell the Reference Assets to you at maturity for an amount equal to the principal amount of the Note, or (2) "cash settle" the Put Option (i.e., require you to pay to us at maturity the difference between the principal amount of the Note and the value of the Reference Assets otherwise deliverable under the Put Option), and a deposit with us of cash (the "Deposit") in an amount equal to the "issue price" (as described in the prospectus supplement) of your Notes to secure your potential obligation under the Put Option. We intend to treat the Notes consistent with this approach and pursuant to the terms of the Notes, you agree to treat the Notes under this approach for all U.S. federal income tax purposes. The description below of the Reference Asset includes a chart that indicates the portion of each interest payment that represents the yield on the Deposit and the Put Premium, assuming that the issue price of the Notes is par. You may contact Bill Bamber at (212) 272-6635 for the issue price of the Notes.

We also intend to treat the Deposits as "short-term obligations" for U.S. federal income tax purposes. See "Certain U.S. Federal Income Tax Considerations Tax Treatment of the Deposit on Notes with a Term of One Year or Less" in the prospectus supplement for certain U.S. federal income tax considerations applicable to short-term obligations.

Because there are no statutory provisions, regulations, published rulings or judicial decisions addressing the characterization for U.S. federal income tax purposes of securities with terms that are substantially the same as those of the Notes, other characterizations and treatments are possible and the timing and character of income in respect of the Notes might differ from the treatment described above. For example, the Notes could be treated as short-term obligations rather than a Put Option and a Deposit.

Reference Asset	**Term to Maturity**	**Coupon Rate, per Annum**	**Yield on the Deposit, per Annum**	**Put Premium, per Annum**
Best Buy Co., Inc.	6-months	14.50%	5.36%	9.14%

CERTAIN ERISA CONSIDERATIONS

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

PROSPECTUS SUPPLEMENT

(To Prospectus Dated August 16, 2006)

The Bear Stearns Companies Inc.

Prospectus Supplement Reverse Convertible All Asset Classes
Medium-Term Notes, Series B

We may offer from time to time Notes that may pay a rate of interest during the term of the Notes and at maturity will pay an amount in U.S. dollars or, in the case of Notes relating to equity securities, entail physical delivery of shares of stock of an issuer not affiliated with us or payment of an amount in U.S. dollars. The specific terms of any such Notes that we offer will be included in the applicable pricing supplement. Set forth under "Definitions" are definitions of the material terms used in this prospectus supplement and in the applicable pricing supplement. If the terms described in the applicable pricing supplement are inconsistent with those described herein or in the accompanying prospectus, the terms described in the applicable pricing supplement will supersede. The Notes will have the following general terms:

No Principal Protection

As described herein, the amount of the principal payment at maturity will depend on two variables: (i) the Trading Level of the Reference Asset during the term of the Notes; and (ii) the relationship between the Final Level of the Reference Asset and the Initial Level of the Reference Asset.

The principal amount of your investment is not protected and you may receive less, and possibly significantly less, than the amount you invested.

Interest Rate and Interest Payments
The Notes may have a fixed or floating interest rate or may pay no interest, in each case as specified in the applicable pricing supplement. Any interest on the Notes will be paid on the dates set forth in the applicable pricing supplement.

Ranking

The Notes will be our unsecured senior debt and will rank equally with all of our other unsecured and unsubordinated debt.

Reference Asset
The principal, interest or any other amounts payable on the Notes may be based on price movements in or other events relating to one or more securities, futures contracts, commodities, foreign currencies, interest rates, indices or baskets comprised of any of those instruments or measures, or other measures or instruments, including the occurrence or nonoccurrence of any event or circumstance.

Maturity
The applicable pricing supplement will specify the Maturity Date.

Denominations

The Notes will be issued in minimum denominations of $1,000 (or the specified currency equivalent), increased in multiples of $1,000 (or the specified currency equivalent); provided, however, that the minimum purchase for any purchaser domiciled in a Member State of the European Economic Area shall be $100,000.

Initial Public Offering Price
Other than as set forth in the applicable Pricing Supplement, the initial public offering price of the Notes will be 100% of the principal amount of the Notes, except that the investors who purchase an aggregate principal amount of at least $1,000,000 of any particular Note offering may do so at a 1.00% discount. Such investor would be entitled to purchase each Note of that particular offering for 99.00% of the principal amount.

Principal Payment at Maturity

We will pay you 100% of the principal amount of your Notes, in cash, at maturity if either of the following is true: (i) the Trading Level of the Reference Asset never equals or falls below the Contingent Protection Level on any day from the Pricing Date up to and including the Calculation Date; or (ii) the Final Level of the Reference Asset is equal to or greater than the Initial Level of the Reference Asset.

However, if both of the following are true, the amount of principal you receive at maturity will be reduced by the percentage decrease in the Reference Asset: (i) the Trading Level of the Reference Asset ever equals or falls below the Contingent Protection Level on any day from the Pricing Date up to and including the Calculation Date; and (ii) the Final Level of the Reference Asset is less than the Initial Level of the Reference Asset. In that event, the manner in which the Notes will be settled on the Maturity Date will depend on whether the Reference Asset is an equity security.

If the Reference Asset is an equity security, we, at our option, will either: (i) physically deliver to you an amount of the Reference Asset equal to the Exchange Ratio plus the Fractional Share Cash Amount (which means that you will receive shares with a market value that is less than the full principal amount of your Notes); or (ii) pay you a cash amount equal to the principal amount you invested reduced by the percentage decrease in the Reference Asset.

If the Reference Asset is not an equity security, we will pay you an amount in cash equal to the principal amount you invested reduced by the percentage decrease in the Reference Asset.

INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE S-7.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The Agents may solicit offers to purchase the Notes as our agent. We may sell Notes to the Agent as principal at prices to be agreed upon at the time of sale. The Agents may resell any Notes they purchase as principal at prevailing market prices, or at other prices, as the Agents determine. The Agents may use this prospectus supplement and the accompanying prospectus in connection with offers and sales of the securities in market-making transactions.

Bear, Stearns & Co. Inc.
August 16, 2006

Offers and sales of the Notes are subject to restrictions in certain jurisdictions. The distribution of this prospectus supplement and the accompanying 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 prospectus supplement and accompanying prospectus or any Notes must inform themselves about and observe any applicable restrictions on the distribution of this prospectus supplement and the accompanying prospectus and the offer and sale of the Notes.

SUMMARY

The following summary describes the Notes in general terms only. You should read the summary together with the more detailed information contained in this prospectus supplement, in the accompanying prospectus and in the applicable pricing supplement. We also may prepare free writing prospectuses that describe particular issuances of Notes. Any free writing prospectus also should be read in connection with this prospectus supplement and the accompanying prospectus. For purposes of this prospectus supplement, any references to an applicable pricing supplement also may refer to a free writing prospectus, unless the context otherwise requires.

Are the Notes principal protected?

The Notes are not principal protected and you may lose some or all of your principal. The amount of the principal payment at maturity will depend on two variables: (i) the Trading Level of the Reference Asset during the term of the Notes; and (ii) the relationship between the Final Level of the Reference Asset and the Initial Level of the Reference Asset.

You will receive 100% of the principal amount of your Notes, in cash, at maturity if *either* of the following is true: (i) the Trading Level of the Reference Asset never equals or falls below the Contingent Protection Level on any day from the Pricing Date up to and including the Calculation Date; or (ii) the Final Level of the Reference Asset is equal to or greater than the Initial Level of the Reference Asset.

However, the Notes will not be principal protected if *both* of the following are true: (i) the Trading Level of the Reference Asset ever equals or falls below the Contingent Protection Level on any day from the Pricing Date up to and including the Calculation Date, *and* (ii) the Final Level of the Reference Asset is less than the Initial Level of the Reference Asset. If both of those conditions are true, the principal amount of your investment will not be protected and you will receive less, and possibly significantly less, than the amount you invested.

What payments will be received at maturity?

We will pay you 100% of the principal amount of your Notes, in cash, at maturity if *either* of the following is true: (i) the Trading Level of the Reference Asset never equals or falls below the Contingent Protection Level on any day from the Pricing Date up to and including the Calculation Date; or (ii) the Final Level of the Reference Asset is equal to or greater than the Initial Level of the Reference Asset.

However, if *both* of the following are true, the amount of principal you receive at maturity will be reduced by the percentage decrease in the Reference Asset: (i) the Trading Level of the Reference Asset ever equals or falls below the Contingent Protection Level on any day from the Pricing Date up to and including the Calculation Date; and (ii) the Final Level of the Reference Asset is less than the Initial Level of the Reference Asset. In that event, the manner in which the Notes will be settled on the Maturity Date will depend on whether the Reference Asset is an equity security.

If the Reference Asset is an equity security, we, at our option, will either: (i) physically deliver to you an amount of the Reference Asset equal to the Exchange Ratio plus the Fractional Share

Cash Amount (which means that you will receive shares with a market value that is less than the full principal amount of your Notes); or (ii) pay you a cash amount equal to the principal amount you invested reduced by the percentage decrease in the Reference Asset.

If the Reference Asset is not an equity security, we will pay you an amount in cash equal to the principal amount you invested reduced by the percentage decrease in the Reference Asset.

We will (i) provide written notice to the Trustee and to the Depositary, on or prior to the Business Day immediately prior to the Maturity Date of the amount of cash or number of shares of the Reference Asset (and cash in respect of coupon and cash in respect of any fractional shares of the Reference Asset), as applicable, to be delivered, and (ii) deliver such cash or shares of the Reference Asset (and cash in respect of coupon and cash in respect of any fractional shares of the Reference Asset), if applicable, to the Trustee for delivery to you. The Calculation Agent shall determine the Exchange Ratio.

What is the coupon rate and will interest payment be received during the term of the Notes?

The interest rate, if any, on the Notes will be either fixed or floating, as designated by the applicable pricing supplement. No interest may be payable with respect to certain Notes.

The interest paid, if any, will include interest accrued from the Original Issue Date to, but excluding, the relevant Interest Payment Date or Maturity Date. Interest will be paid to the person in whose name the Note is registered at the close of business on the Record Date before each Interest Payment Date. However, interest payable on the Maturity Date will be payable to the person to whom principal is payable. If the Interest Payment Date is also a day on which principal is due, the interest payable will include interest accrued to, but excluding, the stated Maturity Date.

Will the Notes be affected by various corporate events?

Yes. Following certain corporate events relating to the underlying Reference Asset, if that Reference Asset is one or more equity securities, such as a stock-for-stock merger where the underlying company is not the surviving entity, you will receive at maturity, cash or a number of shares of the common stock of a successor corporation to the underlying company, based on the Closing Price of such successor's common stock. The occurrence of such corporate events and the consequent adjustments may materially and adversely affect the value of the Notes. We describe the specific corporate events that can lead to these adjustments in the section "Antidilution Adjustments for Equity Securities." You should read this section to understand these and other adjustments that may be made to the Notes.

ILLUSTRATIVE EXAMPLES

Reference Asset Is an Equity Security

The following are illustrative examples demonstrating the hypothetical amount payable at maturity based on the assumptions outlined below. These examples do not purport to be representative of every possible scenario concerning increases or decreases in the Reference Asset or of the movements that are likely to occur with respect to the relevant Reference Asset. You should not construe these examples as an indication of the expected performance of the Notes. Some amounts are rounded and actual returns may be different.

Assumptions:

Investor purchases $1,000 principal amount of Notes on the Pricing Date at the initial offering price of $1,000 and holds the Notes to maturity. No Market Disruption Events or Events of Default occur during the term of the Notes.

Reference Asset: common stock, par value $0.01 per share, of a company traded on the NYSE.

Initial Level: $27.18

Contingent Protection Percentage: 80%

Contingent Protection Level: $21.74 ($27.18 × 80%)

Exchange Ratio: 36 ($1,000/$27.18)

Coupon: 9.00% per annum, paid semiannually ($45 per semiannual period) in arrears

The reinvestment rate on any interest payments made during the term of the Notes is assumed to be 0%. The 1-year total return on a direct investment in the Reference Asset is calculated below prior to the deduction of any brokerage fees or charges. Both a positive reinvestment rate, or if any brokerage fees or charges were incurred, would increase the total return on the Notes relative to the total return of the Reference Asset.

Maturity: 1 year

Dividend and dividend yield on the Reference Asset: $0 and 0% per annum

Example 1 On the Calculation Date, the Final Level of $29.90 is greater than the Initial Level, resulting in a payment at maturity of $1,000, regardless of whether the Contingent Protection Level was ever reached or breached, plus two interest payments of $45.00 each, for payments totaling $1,090.00. If you had invested directly in the Reference Asset for the same one-year period, you would have received total cash payments of $1,100.27 (number of shares of the Reference Asset multiplied by the Final Level, plus the dividend payments), assuming liquidation of shares at the Final Level. You would have earned a 9.00% return with an investment in the Notes and a 10.03% return with a direct investment in the Reference Asset.

Example 2 On the Calculation Date, the Final Level of $24.46 is below the Initial Level, but the Trading Level never equaled or fell below the Contingent Protection Level. As discussed in example 1 above, an investor would receive total payments of $1,090.00, earning a 9.00% return over the term of the Notes. A direct investment in the Reference Asset for that same one-year time period would have generated a return of $900.12 (number of shares of the Reference Asset multiplied by the Final Level, plus the dividend payments), assuming liquidation of shares at the Final Level. You would have earned a 9.00% return with an investment in the Notes and incurred a loss of 9.99% with a direct investment in the Reference Asset.

Example 3 On the Calculation Date, the Final Level of $17.67 is below the Initial Level and also is below the Contingent Protection Level. At our election, an investor would receive a number of shares equal to the Exchange Ratio, plus the Fractional Share Cash Amount, plus the two interest payments of $45.00, which is 36 shares (worth $17.67 each) plus $13.99 (the Fractional Share Cash Amount) plus $90.00 (two interest payments of $45.00 each). The cash equivalent equals $740.11. If you had invested directly in the Reference Asset for the same one-year period, you would have received total cash payments of $650.31 (number of shares of the Reference Asset multiplied by the Final Level, plus the dividend payments), assuming liquidation of shares at the Final Level. An investment in the Notes would have resulted in a loss of 25.99%, while a direct investment in the Reference Asset would have resulted in a loss of 34.97%.

Reference Asset Is Not an Equity Security

The following are illustrative examples demonstrating the hypothetical amount payable at maturity based on the assumptions outlined below. Some amounts are rounded and actual returns may be different.

Assumptions:

Investor purchases $1,000 principal amount of Notes on the Pricing Date at the initial offering price of $1,000 and holds the Notes to maturity. No Market Disruption Events or Events of Default occur during the term of the Notes.

Reference Asset: U.S. equity index, such as the Dow Jones Industrial Average[SM]

Initial Level: 10,237.18

Contingent Protection Percentage: 80%

Contingent Protection Level: 8,189.74 (10,237.18 × 80%)

Coupon: 9.00% per annum, paid semiannually ($45 per semiannual period) in arrears

Maturity: 1 year

Because the Reference Asset is an equity index (and not an equity security), regardless of the performance of the Reference Asset, any payment on the Maturity Date will be in cash.

The reinvestment rate on any interest payments made during the term of the Notes is assumed to be 0%. The 1-year total return on a direct investment in the Reference Asset is calculated below prior to the deduction of any brokerage fees or charges. Both a positive reinvestment rate, or if any brokerage fees or charges were incurred, would increase the total return on the Notes relative to the total return of the Reference Asset.

Dividend and dividend yield on the Reference Asset: $0.00 and 0.00% per annum

Example 1 On the Calculation Date, the Final Level of 11,260.90 is greater than the Initial Level, resulting in a payment at maturity of $1,000, regardless of whether the Contingent Protection Level was ever reached or breached. You also would have received two interest payments of $45.00, for payments totaling $1,090.00. With a direct investment in an instrument indexed on a one-for-one basis to the Reference Asset during that same one-year time period, you would have received total cash payments over the term of the Notes of $1,100.00 (the sum of the principal amount, plus the product of the principal amount and the percentage increase in the Reference Asset) upon liquidation of such instrument at the Final Level. You would have earned a return of 9.00% with an investment in the Notes and a return of 10.00% with a direct investment in the Reference Asset.

Example 2 On the Calculation Date, the Final Level of 9,213.46 is below the Initial Level, but the Trading Level never equaled or fell below the Contingent Protection Level. As discussed in example 1 above, an investor would receive total payments of $1,090.00, earning a 9.00% return over the term of the Notes. With a direct investment in an instrument indexed on a one-for-one basis to the Reference Asset during that same one-year time period, you would have received total cash payments of $900.00 (the sum of the principal amount, plus or minus the product of the principal amount and the percentage decrease in the Reference Asset) upon liquidation of such instrument at the Final Level. You would have earned a return of 9.00% with an investment in the Notes and incurred a loss of 10.00% with a direct investment in the Reference Asset.

Example 3 On the Calculation Date, the Final Level of 6,654.17 is below the Initial Level and is also below the Contingent Protection Level. As discussed in example 1 above, an investor would receive total payments of $1,090, earning 9.00% over the term of the Notes. With a direct investment in an instrument indexed on a one-for-one basis to the Reference Asset during that same one-year time period, you would have received total cash payments of $650.00 (the sum of the principal amount plus or minus the product of the principal amount and the percentage decrease in the Reference Asset) upon liquidation of such instrument at the Final Level. You would have earned a return of 9.00% with an investment in the Notes and incurred a loss of 35.00% with a direct investment in the Reference Asset.

RISK FACTORS

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 advisors, of the suitability of the Notes in light of their particular financial circumstances, the following risk factors and the other information included or incorporated by reference in the applicable pricing supplement, this prospectus supplement and the accompanying prospectus. **Please note that this Risk Factors section has various subcomponents addressing certain additional risk factors relating to specific categories of Reference Assets. For example, certain additional risk factors relating to Reference Assets comprised of one or more equity securities can be found in the section " Additional risks relating to Notes with an equity security or equity index as the Reference Asset."** We have no control over a number of matters, 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 payments made on, the Notes. You should not purchase the Notes unless you understand and can bear these investment risks.

RISKS RELATING TO ALL NOTE ISSUANCES.

The Notes are not principal protected and you may lose some or all of your principal.

The principal amount of your investment is not protected and you may receive less, and possibly significantly less, than the amount you invested. The Notes will not be principal protected if both of the following are true: (i) the Trading Level of the Reference Asset ever equals or falls below the Contingent Protection Level on any day from the Pricing Date up to and including the Calculation Date; and (ii) the Final Level of the Reference Asset is less than the Initial Level of the Reference Asset. You will receive 100% of your principal at maturity if, and o