

APPLIED BIOSYSTEMS INC.

Form 10-K/A

October 03, 2008

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-K/A**

**(Amendment No. 1)**

**x Annual Report Pursuant to Section 13 Or 15(d) of the Securities Exchange Act of 1934**

**For the fiscal year ended June 30, 2008**

**Or**

**Transition Report Pursuant to Section 13 Or 15(d) of the Securities Exchange Act of 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number 001-04389**

**Applied Biosystems Inc.**

**(Exact name of registrant as specified in its charter)**

**DELAWARE**  
**(State or other jurisdiction of**

**Incorporation or organization)**

**301 Merritt 7**

**06-1534213**  
**(I.R.S. Employer Identification No.)**

**06851-1070**

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(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: 203-840-2000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Applied Biosystems Group Common Stock (par value \$0.01 per share)	New York Stock Exchange
Rights to Purchase Series A Participating Junior Preferred Stock (par value \$0.01 per share)	New York Stock Exchange
Celera Group Common Stock (par value \$0.01 per share)	N/A
Rights to Purchase Series B Participating Junior Preferred Stock (par value \$0.01 per share)	N/A

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

As of December 31, 2007, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value (based upon the average of the high and low price) of our Applied Biosystems Group Common Stock held by non-affiliates was \$5,710,983,856, and the aggregate market value (based upon the average of the high and low price) of our Celera Group Common Stock held by non-affiliates was \$1,262,121,484. As of September 25, 2008, 169,572,004 shares of our Applied Biosystems Group Common Stock were outstanding, and no shares of Celera Group Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.



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**EXPLANATORY NOTE**

Throughout this report: terms such as the company, Applied Biosystems, we, us, or our may be used to refer to Applied Biosystems Inc.; the term Applied Biosystems stock refers to our Applied Biosystems Group Common Stock, which is our only class of common stock outstanding; and the term Celera stock refers to Celera Group Common Stock, a class of common stock that we previously issued.

We filed an Annual Report on Form 10-K for our fiscal year ended June 30, 2008, on August 27, 2008. Some of the information in Part III of our 2008 Form 10-K was incorporated by reference to portions of our definitive Proxy Statement for our 2008 Annual Meeting of Stockholders, to be subsequently filed with the Securities and Exchange Commission, or SEC. Where we incorporated required information by reference to our 2008 Proxy Statement, we did so in reliance on General Instruction G to Form 10-K. Because we do not expect to file a definitive proxy statement within 120 days after the end of our 2008 fiscal year, we are filing this Form 10-K/A to provide the information required in Part III of our 2008 Form 10-K.

As required by the SEC's Rule 12b-15 under the Securities Exchange Act of 1934, as amended, the Items contained in Part III of the Form 10-K (Items 10 through 14) are amended and restated in their entirety as set forth below. We have amended and restated these Items to include all required Part III information and to remove references to our 2008 Proxy Statement. As required by Form 10-K, the cover page of our 2008 Form 10-K included a statement regarding our incorporation of information from our 2008 Proxy Statement. That statement is no longer applicable.

Also, as required by Rule 12b-15, this Form 10-K/A includes as exhibits the certifications required of our principal executive officer and principal financial officer under Section 302 of the Sarbanes-Oxley Act of 2002. We have included Part IV, Item 15 in this Form 10-K/A solely to reflect the filing of these exhibits with this Form 10-K/A. We are not including certifications under Section 906 of the Sarbanes-Oxley Act of 2002 because no financial statements are being filed with this Form 10-K/A.

No attempt has been made in this Form 10-K/A to modify or update the other disclosures presented in our 2008 Form 10-K, including the exhibits thereto, except that we have updated the number of outstanding shares of Applied Biosystems stock on the cover page of this report. In particular, we have not modified or updated any of the other disclosures in our 2008 Form 10-K that may have been affected by events occurring after the filing of our 2008 Form 10-K. Accordingly, this Form 10-K/A should be read in conjunction with our 2008 Form 10-K and our other filings made with the SEC.

Table of Contents**PART III****Item 10. Directors, Executive Officers and Corporate Governance****Identification and Business Experience of Directors**

The following is a list of our directors and provides information about each director, including business experience and the year first elected to the board, as well as age and principal occupation, as of September 25, 2008. Each director serves until his or her successor has been elected at the next annual meeting of stockholders or until his or her earlier resignation, removal, or death.

<b>Name</b>	<b>Age</b>	<b>Year First Elected</b>	<b>Business Experience and Principal Occupation</b>
George F. Adam, Jr.	62	2007	Mr. Adam is the Chairman of Recondo Technology, Inc., a start-up company focused on healthcare payments and care delivery. He was the founder of Adam Aircraft, Inc., a designer and manufacturer of advanced aircraft, and served as Chief Executive Officer of that company from 1998 to July 2007, when he founded Recondo Technology. Adam Aircraft filed for bankruptcy in February 2008, subsequent to Mr. Adam's resignation from that company. From 1993 to 2001 Mr. Adam served as Chairman, President and Chief Executive Officer of New Era of Networks, Inc., an e-business infrastructure provider founded by Mr. Adam, and from 1987 to 1993 he was a general partner and the chief information technology officer of Goldman, Sachs & Co., a global investment banking, securities, and investment management firm.
Robert H. Hayes	72	1985	Dr. Hayes is the Philip Caldwell Professor of Business Administration, Emeritus, at the Harvard Business School. He has held various positions at Harvard since 1966.
Arnold J. Levine	69	1999	Dr. Levine is a professor at the Institute for Advanced Study. He previously served as President and Chief Executive Officer of Rockefeller University from 1998 to 2002 and was the Harry C. Weiss Professor of Life Sciences and Chairman of the Molecular Biology Department at Princeton University from 1984 to 1998. Dr. Levine is also a director of Theravance, Inc. and Infinity Pharmaceuticals, Inc.
William H. Longfield	70	2003	Mr. Longfield is the retired Chairman and Chief Executive Officer of C.R. Bard, Inc., a manufacturer of healthcare products. He joined C.R. Bard in 1989 as executive vice president, became President in 1991,

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and served as Chairman and Chief Executive Officer from 1995 until his retirement in August 2003. Mr. Longfield is also Chairman of the Board of Trustees of Atlantic Health System, a private non-profit health care system.

Elaine R. Mardis	45	2007	Dr. Mardis is an Associate Professor of Genetics at Washington University School of Medicine and Co-Director of the Washington University Genome Sequencing Center where she leads the technology development group. She has served in various positions at Washington University School of Medicine since 1993 and was appointed Associate Professor in October 2006, and Co-Director of the Genome Sequencing Center in December 2002. Dr. Mardis is also a member of the American Society of Human Genetics.
Theodore E. Martin	69	1999	Mr. Martin is the retired President and Chief Executive Officer of Barnes Group Inc., a manufacturer of precision springs and custom metal components. He joined Barnes Group in 1990 as a group vice president and served as President and Chief Executive Officer from 1995 until his retirement in 1998. Mr. Martin is also a director of C.R. Bard, Inc., Ingersoll-Rand Company, and Unisys Corporation.
Carolyn W. Slayman	71	1994	Dr. Slayman is the Sterling Professor of Genetics and Deputy Dean for Academic and Scientific Affairs at Yale University School of Medicine. She joined the Yale faculty in 1967. Dr. Slayman is a consultant to the National Institutes of Health, most recently having served as a member of the National Advisory General Medical Sciences Council.
James R. Tobin	64	1999	Mr. Tobin has served as President and Chief Executive Officer of Boston Scientific Corporation, a medical device manufacturer, since March 1999. Mr. Tobin previously served as President and Chief Executive Officer of Biogen, Inc., a biotechnology company, from 1997 to 1998 and President and Chief Operating Officer from 1994 to 1997. Prior to joining Biogen, he held various positions at Baxter International Inc., including President and Chief Operating Officer from 1992 to 1994. Mr. Tobin is also a director of Boston Scientific and Curis, Inc.
Tony L. White	62	1995	Mr. White has served as our Chairman and Chief Executive Officer since September 1995. He also served as our President from September 1995 through August 2008. Prior to joining the company, Mr. White was Executive Vice President and a member of the

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Office of the Chief Executive of Baxter International Inc., a manufacturer of healthcare products and instruments. He also served as Group Vice President of Baxter from 1986 to 1992. Mr. White is also a director of C.R. Bard, Inc., Ingersoll-Rand Company, and the Standards, Productivity and Innovation Board of Singapore (SPRING Singapore).

**Identification and Business Experience of Executive Officers**

The following is a list of our executive officers, identifying as of September 25, 2008, their: ages; corporate offices presently held and year first elected to those offices; and other positions currently held.

<b>Name</b>	<b>Age</b>	<b>Present Corporate Offices (Year First Elected)</b>
Ugo D. DeBlasi	46	Vice President and Controller (2003)
Barbara J. Kerr	62	Senior Vice President, Human Resources (2008)
William B. Sawch	54	Senior Vice President (1997) and General Counsel (1993)
Mark P. Stevenson	45	President and Chief Operating Officer (2008)
Tony L. White	62	Chairman and Chief Executive Officer (1995)
Dennis L. Winger	60	Senior Vice President and Chief Financial Officer (1997)

Each of the executive officers identified above was most recently elected to the corporate offices identified above by our Board of Directors at a meeting held on August 21, 2008. The term of each officer will continue until their successors have been duly elected or, if earlier, their death, resignation, or removal. Each of the executive officers has been employed by us or a subsidiary in one or more executive or managerial capacities for at least the past five years.

At the August Board meeting, the Board took several actions regarding our executive officers:

The Board promoted Mr. Stevenson to the position of President and Chief Operating Officer of the company. Mr. White accordingly relinquished his position as President of the company but continues to be our Chairman and Chief Executive Officer. Prior to Mr. Stevenson's August 2008 promotion, he was promoted to the positions of Senior Vice President of the company and President and Chief Operating Officer of the Applied Biosystems Group in December 2007. Prior to that, he served as one of our Vice Presidents since 2004.

The Board promoted Barbara J. Kerr to the position of Senior Vice President, Human Resources, of the company. Prior to the promotion, Ms. Kerr had served as Vice President, Human Resources, since 2000.

The Board determined that Sandeep Nayyar, an Assistant Controller of the company, should no longer be designated as one of our executive officers. This determination, which resulted solely from the Celera separation, did not affect Mr. Nayyar's employment or corporate office.



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In connection with the separation of the Celera group business described in Item 1 of our 2008 Annual Report on Form 10-K, the following individuals, previously executive officers of the company, terminated their employment with us on July 1, 2008, and became executive officers of Celera Corporation: Joel Jung, formerly Assistant Controller; and Kathy P. Ordoñez, formerly Senior Vice President and President, Celera Group.

### **Family Relationships**

To the best of our knowledge and belief, there is no family relationship between any of our directors or executive officers.

### **Involvement in Certain Legal Proceedings**

To the best of our knowledge and belief, none of our directors or executive officers has been involved in any proceedings during the past five years that are material to an evaluation of the ability or integrity of such persons to be our directors or executive officers.

### **Audit Committee and Audit Committee Financial Expert**

We have a separately designated standing audit committee of our Board of Directors established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. We have named that committee our Audit/Finance Committee. The members of that committee as of the date of this report are George F. Adam, Jr., Robert H. Hayes (co-chair), Theodore E. Martin, and James R. Tobin (co-chair). Our Board of Directors has determined that Messrs. Adam, Martin, and Tobin are audit committee financial experts as that term has been defined by the Securities and Exchange Commission in Item 407(d)(5) of its Regulation S-K. The designation of members of our Audit/Finance Committee as audit committee financial experts does not impose on those members any duties, obligations, or liabilities that are greater than those generally imposed on them as members of our Audit/Finance Committee and Board of Directors, and does not affect the duties, obligations, or liabilities of any other member of our Audit/Finance Committee or Board of Directors. Our Board of Directors has determined that each member of the Audit/Finance Committee is independent as defined by the rules of the New York Stock Exchange and also satisfies the independence requirements for members of audit committees prescribed under the Sarbanes-Oxley Act of 2002. More information about director independence is set forth below in Item 15 of this report.

### **Recommendation of Nominees to our Board of Directors**

Information concerning our procedures by which security holders may recommend nominees to our Board of Directors is set forth in our Proxy Statement relating to our 2007 Annual Meeting of Stockholders under the heading Board of Directors and Committees Board Committees Nominating/Corporate Governance Committee. We have not made any material changes to these procedures since they were last disclosed in our 2007 Proxy Statement.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

We are required to identify any officer, director, or beneficial owner of more than 10% of our Applied Biosystems stock or Celera stock who failed to timely file with the Securities and Exchange Commission and the New York Stock Exchange a required report relating to beneficial ownership of stock under Section 16(a) of the Securities Exchange Act of 1934. Based solely on a

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review of information provided to us, all persons subject to these reporting requirements filed the required reports on a timely basis for our 2008 fiscal year.

### **Code of Ethics**

We have adopted a code of ethics that applies to our officers, directors, and employees. Our code of ethics, which we refer to as our Code of Business Conduct and Ethics, was designed to comply with the definition of code of ethics adopted by the Securities and Exchange Commission as applicable to our Chief Executive Officer (our principal executive officer), our Chief Financial Officer (our principal financial officer), and our Controller (our principal accounting officer). This definition is contained in Item 406(b) of the SEC's Regulation S-K. Our code of ethics was also designed to meet the code of business conduct and ethics requirements promulgated by the New York Stock Exchange, which requirements are set forth in Section 303A.10 of the NYSE Listed Company Manual.

Our Code of Business Conduct and Ethics is posted on our Internet website, which is located at [www.appliedbiosystems.com](http://www.appliedbiosystems.com). Also, we intend to post any amendments to or waivers from the code that are applicable to our officers or directors on our Internet website as required to satisfy SEC and New York Stock Exchange disclosure requirements applicable to amendments and waivers. This information can be accessed on our website free of charge as described in Part I, Item 1 of our 2008 Annual Report on Form 10-K on pages 3 and 4 under the heading Available Information. In addition, you can obtain this information free of charge by calling our corporate Secretary at 203-840-2000 or by making a request in writing mailed to: Applied Biosystems Inc., Attention: Secretary, Applied Biosystems Inc., 301 Merritt 7, Norwalk, CT 06851-1070.

## **Item 11. Executive Compensation Compensation Discussion and Analysis**

### ***Our Background and Structure***

Our corporate mission is to improve human health and society by understanding and applying the power of biology to develop breakthrough research technologies and diagnostic products. Through July 1, 2008, we conducted our business through two operating groups: the Applied Biosystems group, which serves the life science industry and research community by developing and marketing instrument-based systems, consumables, software, and services; and the Celera group, which was a diagnostics business that delivered personalized disease management through a combination of products and services incorporating proprietary discoveries. On July 1, 2008, we separated all of the business, assets, and liabilities of the Celera group into an independent publicly-traded company known as Celera Corporation.

Through July 1, 2008, we had two classes of common stock that were intended to reflect or track the relative performance of the businesses of Applied Biosystems and Celera. The Applied Biosystems group and the Celera group were not separate legal entities and did not have separate boards of directors. We had one board of directors, one chief executive officer, and senior functional executives for finance, legal, and human resources with responsibility for both groups. The overall operations for both groups were managed by a Management Executive Committee consisting of Mr. White (chair), Dennis L. Winger, Senior Vice President and Chief Financial

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Officer, Kathy Ordoñez, Senior Vice President and President of the Celera group, Mark P. Stevenson, President and Chief Operating Officer, William B. Sawch, Senior Vice President and General Counsel, and Barbara J. Kerr, Senior Vice President, Human Resources. Mr. White acted as the interim President of the Applied Biosystems group during fiscal 2008 until Mr. Stevenson's appointment to this position in December 2007. Messrs. White, Winger, Stevenson, and Sawch and Ms. Ordoñez are Named Executive Officers for purposes of the disclosures contained in this Form 10-K/A. Ms. Ordoñez resigned from the company effective July 1, 2008, in connection with the Celera separation.

On June 11, 2008, we entered into an Agreement and Plan of Merger with Invitrogen Corporation and Atom Acquisition, LLC, a direct wholly-owned subsidiary of Invitrogen. This agreement provides that we will merge with and into Atom Acquisition, with that entity continuing as the surviving entity and a direct wholly-owned subsidiary of Invitrogen. Upon completion of the merger, Mr. Stevenson will be appointed President and Chief Operating Officer of Invitrogen. The parties currently expect the merger to be completed in the fall of 2008.

### ***Compensation Philosophy***

Our compensation programs work together to achieve several key objectives, including the payment of compensation related to company performance and the collective efforts of our employees. In particular, the primary goals of our executive compensation program are to:

Attract and retain top quality leadership by delivering competitive levels of base salary, short and long term incentives, and benefits commensurate with the capabilities, depth of experience, and background of our executives, as well as in recognition of their individual contributions to the achievement of the organization's objectives;

Reward executives for business performance and results that increase shareholder value, such as revenue and earnings growth, cash flow, organizational and operational excellence, and new product development and commercialization. We use variable and equity based programs that deliver rewards commensurate with the effort and achievement of these results;

Drive and motivate executive behaviors (for example, thinking from the perspective of a shareholder, facilitating the achievement of team goals, making appropriate research and development investment choices, balancing long term and short term objectives, managing risk, and creating business continuity) that are aligned with the short and long term strategies of the business and with shareholder interests; and

Place an appropriate portion of each executive's total compensation at risk based on the level of responsibility and impact of the position on the company's or Group's financial results.

These objectives are considered in the design of each compensation program and in the process that is followed in making decisions. While we do not make use of any formulaic policies that state a specific market percentile position for defining individual compensation levels or any specific percentage mix of base, bonus, benefits, and equity as part of total compensation, we do consider each of these factors. Affordability, business conditions, and an assessment of the degree

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to which an executive is subject to being recruited by other companies are also taken into account in making decisions about compensation.

Section 162(m) of the Internal Revenue Code generally limits the tax deductibility of certain compensation in excess of one million dollars paid to a company's chief executive officer and the three other most highly compensated executive officers, except for the chief financial officer. While we seek to maximize the deductibility of compensation paid to our executive officers, we maintain flexibility to pay compensation that may not be deductible under Section 162(m) if that would be in the best interests of our shareholders.

### ***Roles and Responsibilities Pertaining to Compensation Management***

Mr. White provides recommendations to the Management Resources Committee of the Board of Directors, or MRC, with regard to compensation philosophy, the structure and design of programs and policies in which our executives may participate, and specific compensation awards for each of our Named Executive Officers other than himself. Ms. Kerr, as Senior Vice President, Human Resources, provides benchmarking analyses, compilations of total compensation values, and reviews of performance against objectives for the MRC. Mr. Winger, as Chief Financial Officer, prepares information for the MRC with regard to financial targets and metrics upon which the incentive compensation programs and equity programs are based. Our finance department calculates actual performance against these financial targets and metrics following the end of the fiscal year based on company performance for that year.

The MRC is responsible for making decisions regarding Mr. White's compensation and for reviewing and approving his recommendations regarding the compensation of the other Named Executive Officers. During fiscal 2008, the MRC retained an independent executive compensation consulting firm, Frederic W. Cook and Co., Inc., or FWC, to review the executive compensation analyses and reports prepared by the company and provide ongoing advice to the MRC as deemed appropriate by the committee. Among other things, FWC provided an independent assessment of the peer companies used in the analysis. In addition, FWC participated in the MRC meetings where the executive compensation analysis and recommendations were discussed.

### ***Competitive Assessment Process***

We review annually our pay practices for each of the Named Executive Officers with the practices of comparable companies primarily engaged in biotechnology, instrument development and manufacturing, and life sciences. Separate companies were selected as peers for the Applied Biosystems group, the Celera group, and for the company as a whole, based on being engaged substantially in the same business and considering, as applicable, revenues and market capitalization as compared to the Groups or the company. We also consider whether we compete with these companies for executives and whether the executive officers of the other companies provide appropriate benchmarks relative to the specific duties and responsibilities of the Named Executive Officers.

In fiscal 2008, the company used chief executive officer, chief financial officer, and general counsel data from the following companies' most recent proxy disclosures as a point of reference for Messrs. White, Winger, and Sawch, who serve in those positions at our company. The peer company list is periodically reviewed by the MRC, and the list used in connection with its fiscal 2007 executive compensation review was updated in August 2008 in connection with its fiscal 2008 review. At that time, the MRC removed Dade Behring Holdings Inc. and Medimmune

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Inc. from the list because they were acquired during the fiscal year, and also removed Allergan Inc. and Mylan Laboratories Inc. because of their pharmaceutical-specific focus. The MRC added C.R. Bard, Inc. due to its related industry focus and comparable size in terms of revenue and market capitalization. The peer companies used by the MRC for these reviews are shown below:

**Fiscal 2007**

Agilent Technologies Inc.  
 Allergan Inc.  
 Amgen Inc.  
 Barr Pharmaceuticals Inc.  
 Beckman Coulter Inc.  
 Becton Dickinson & Co.  
 Biogen Idec Inc.  
 Bio-Rad Laboratories Inc.  
 Dade Behring Holdings Inc.  
 Genentech Inc.  
 Genzyme Corp.  
 Invitrogen Corp.  
 Medimmune Inc.  
 Millipore Corp.  
 Mylan Laboratories Inc.  
 PerkinElmer Inc.  
 Thermo Fisher Scientific Inc.  
 Varian Medical Systems Inc.  
 Waters Corp.

**Fiscal 2008**

Agilent Technologies Inc.  
 Amgen Inc.  
 Barr Pharmaceuticals Inc.  
 Beckman Coulter Inc.  
 Becton Dickinson & Co.  
 Biogen Idec Inc.  
 Bio-Rad Laboratories Inc.  
 C.R. Bard, Inc.  
 Genentech Inc.  
 Genzyme Corp.  
 Invitrogen Corp.  
 Millipore Corp.  
 PerkinElmer Inc.  
 Thermo Fisher Scientific Inc.  
 Varian Medical Systems Inc.  
 Waters Corp.

As there was insufficient data from the companies listed above to provide a source of comparison for Mr. Stevenson, the MRC used information from a third-party executive compensation survey of president and COO positions in the general market as the primary source of competitive benchmarking for him. This survey was also considered as a secondary source of information for the other Named Executive Officers. In the case of Mr. Stevenson, the survey information focused on companies with revenues from \$1 to 3 billion in the life sciences, medical device, pharmaceutical, and technology industries. The companies included in this survey are provided below.

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Adobe Systems Inc.	Marvell Technology Group Ltd.
Atmel Corp.	McAfee, Inc.
Autodesk, Inc.	National Semiconductor Corp.
Bio-Rad Laboratories Inc.	NetApp, Inc.
Cadence Design Systems, Inc.	Novellus Systems, Inc.
Edwards Lifesciences LLC	PerkinElmer Inc.
Hitachi Data Systems	Quantum Corp.
Hughes Network Systems	Spansion
Intuit Inc.	Synopsys, Inc.
Juniper Networks, Inc.	Teradyne Inc.
KLA-Tencor Corp.	Toshiba America Information Systems, Inc.
Lam Research Corp.	Varian Medical Systems Inc.
Lawrence Livermore National Laboratory	Varian Semiconductor Equipment
Lifescan, Inc.	Verisign, Inc.
LSI Logic	Xilinx, Inc.

The MRC used data about chief executive officers from the following companies' most recent proxy disclosures as a point of reference for the fiscal year 2008 compensation of Ms. Ordoñez, with peer company data appropriately discounted because Celera was not an independent publicly traded company during fiscal 2008.

Biosite Inc.  
 CuraGen Corp.  
 DeCODE Genetics Inc.  
 Digene Corp.  
 Genomic Health Inc.  
 Gen-Probe Inc.  
 Human Genome Sciences Inc.  
 Medarex Inc.  
 Millennium Pharmaceutical Inc.  
 Myriad Genetics Inc.  
 PDL BioPharma Inc.  
 Seattle Genetics Inc.  
 Third Wave Technologies Inc.  
 Ventana Medical Systems Inc.

We prepared competitive analyses for each of the Named Executive Officers against executives of the relevant peer group. This included a review of base salary levels, actual short-term incentive levels (i.e., annual bonus), and the value of long-term and equity compensation in the year of grant based on a Black-Scholes value as published in proxy disclosures.

While a review of the compensation of similarly situated executives at our peers assists us in determining whether our compensation programs are generally competitive, the unique responsibilities and experience of our executives limits the usefulness of competitive data, especially in an evolving, dynamic, and growing organization such as ours where the future needs of the organization must be considered along with present needs. For example, our tracking stock structure required that senior executives oversee the management and controls associated with the

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separate publicly traded stocks related to Applied Biosystems and Celera. Therefore, compensation recommendations for our Named Executive Officers may be made at levels that are above or below the compensation paid to executives at our peers, depending on specific individual factors such as skills, performance, experience, and retention.

### ***Compensation Components***

We utilize compensation programs and elements that are aligned with and support our compensation philosophies. These components work together to provide flexibility which helps us manage through change and a dynamic business climate. These compensation programs or elements consist of:

Base salary;

Annual incentive compensation;

Long-term and equity incentive compensation; and

Benefits and perquisites.

We believe that these components work in balance with one another to support our overarching goals of motivating our executives and recognizing positive results. From time to time we may revise our programs or add new programs to achieve our goals.

Under the terms of the Invitrogen merger agreement, Invitrogen will be required to provide base salary, bonus opportunity, and employee benefits following the merger that are no less favorable in the aggregate than those provided to our employees, including the Named Executive Officers, prior to the merger.

### ***Base Salary***

Base salary is a fixed compensation amount paid during the course of the fiscal year. It is designed to recognize demonstrated mastery of the day-to-day requirements of the position and pay competitive amounts that reflect the individual attributes of each Named Executive Officer. Base salaries are reviewed annually and are individually determined taking into consideration each executive's unique set of skills, experience, and level of responsibility.

*Fiscal 2008.* For fiscal 2008, Mr. White recommended to the MRC increases to the base salaries of each of the Named Executive Officers other than himself. The MRC approved, as recommended, these salary increases, and also determined an increase to Mr. White's base salary.

The salary increases for each Named Executive Officer, including Mr. White, Mr. Winger, Mr. Sawch and Ms. Ordoñez, were approximately 4%, consistent with the trend increase in base salary compensation for the industry as a whole and were intended to keep the executive's base salary in line with competitive conditions. Mr. Stevenson's salary was increased by approximately 16%, from \$430,000 to \$500,000, to reflect his increased role within the Applied Biosystems group. Mr. Stevenson's salary was further increased by 20%, from \$500,000 to \$600,000, effective with his appointment as President and COO of the Applied Biosystems group in December 2007.

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*Fiscal 2009.* Similar to fiscal 2008, the salary increases for each Named Executive Officer, including Mr. White, for fiscal 2009 were 4% and were intended to keep the executive's base salary in line with competitive conditions and to continue our historical base salary adjustment practices at the outset of the fiscal year. The MRC did not approve a salary increase for Ms. Ordoñez for fiscal 2009 as she resigned from the company effective July 1, 2008 in connection with the Celera separation. Below are the annual base salaries and increases for each of the Named Executive Officers for fiscal 2008 and 2009:

	<b>Fiscal 2008</b>	<b>% Change</b>	<b>Fiscal 2009</b>	<b>% Change</b>
	<b>Annual</b>	<b>from Fiscal</b>	<b>Annual</b>	<b>from Fiscal</b>
	<b>Base Salary</b>	<b>2007 Base</b>	<b>Base Salary</b>	<b>2008</b>
		<b>Salary</b>		<b>Base Salary</b>
Tony L. White	\$ 1,200,000	4.4	\$ 1,248,000	4.0
Dennis L. Winger	618,500	4.0	643,000	4.0
William B. Sawch	546,000	4.0	568,000	4.0
Mark P. Stevenson	600,000	39.5	624,000	4.0
Kathy Ordoñez	590,500	4.0	na	na

*Annual Incentive Compensation*

Our Incentive Compensation Program, or ICP, is a variable annual bonus based on the achievement of pre-determined financial and business objectives and which may also include a discretionary amount for personal out-performance and contribution. The objective of the ICP is to provide a competitive and performance based earnings opportunity that will fluctuate from year to year based on specific business and individual achievements.

ICP awards are determined by multiplying the individual's salary earned during the fiscal year by

the target bonus level for the position, expressed as a percentage of base salary, by

the overall business performance (the business modifier), expressed as a percentage ranging from 0-150% based on actual results, with 100% for plan performance, by

the individual's performance (the personal modifier), expressed as a percentage ranging from 0-150% based on individual contribution and results, with 100% for target performance.

This formula takes into consideration an equal weight of business performance and individual performance and reflects the strong teamwork orientation of the company. All Named Executive Officers and other employees who receive an ICP award share the same business modifier as others in their organization (corporate, Applied Biosystems, or Celera).

*Target Bonus Level.* An assessment of competitive target incentive compensation levels is prepared annually based on the practices of the relevant peer group and an internal determination of the value of the role of the executive to the organization. Management may recommend changes in the incentive plan targets for each Named Executive Officer. These targets are expressed as a percentage of base salary. The fiscal 2008 targets for each of the Named Executive Officers were as follows:



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Tony L. White	130%
Dennis L. Winger	95%
William B. Sawch	90%
Mark P. Stevenson	100%
Kathy Ordoñez	95%

*Business Modifier.* Specific business performance criteria have been identified which we believe contribute to increasing and maintaining shareholder value. During fiscal 2008, performance criteria were separately identified for the Applied Biosystems group and the Celera group. The target and target performance for each criterion were established at the beginning of the fiscal year by the MRC and reviewed by the MRC against actual performance at the conclusion of the fiscal year. The performance targets, which reflect our financial plan and operating goals for the fiscal year, were intended to present a reasonable, yet achievable, challenge.

For the Applied Biosystems group, we considered in equal proportion performance against target for EBIT (earnings before interest and taxes), revenue, cash flow, EPS (earnings per share), and the achievement of specific business goals.

To motivate achievement and performance in excess of the target, the ICP rewards performance only after a minimum level of achievement is reached. Threshold performance is 75% of each criterion's target performance. For each basis point achieved above the 75% threshold, a 4% business modifier is earned, which is then multiplied by the weighting factor to calculate the weighted earned payout for that target. The total award is the sum of the weighted earned payout for each target. A maximum payout of 150% has been established to provide a meaningful bonus opportunity that is also reasonable in respect to the financial impact to the company of the over-achievement.

A summary of these performance measures and the fiscal 2008 results are as follows:

Performance Measure	Fiscal 2008 Plan Target (\$) <sup>1</sup>	Fiscal 2008 Result (\$) <sup>1</sup>	Achieved (%)	Weighting Factor (%)	Weighted Earned Payout (%)
Revenue	2,237.8	2,224.7	99.4	20	19.5
EBIT	424.2	434.6	102.4	20	22
Cash Flow	367.7	495.2	134.7	20	40
EPS	1.631	1.712	105.0	20	24
Other Goals	Customer Focus;				
	Flawless Execution;				
	Innovation;		100.0	20	20
	Organizational Excellence;				
	Financial Performance				
<b>Total Result</b>					<b>125.5</b>

<sup>1</sup> Dollars in millions, except EPS.

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For the Celera group, we considered in equal proportion performance against target for revenue, EBIT, cash flow, and the achievement of specific business goals. Due to Celera's size and the relative volatility of the business, a threshold and multiplier were not part of the calculation of the overall business modifier because we believe this would have inordinately magnified the results of the business. In addition, the impact of the over-achievement of the cash flow results was capped at 150% given the small size of the actual overachievement in dollars and the inordinately high volatility of this business.

A summary of these performance measures and the fiscal 2008 results are as follows.

Performance Measure	Fiscal 2008	Fiscal 2008	Achieved	Weighting	Weighted
	Plan	Result		Factor	Earned
	(\$) <sup>1</sup>	(\$) <sup>1</sup>		(%)	Payout
				(%)	(%)
Revenue	150.6	139.4	92.5	25	23.1
EBIT	(15.1)	(14.5)	104.3	25	26.1
Cash Flow	(12.4)	(1.0)	150.0	25	37.5
Other Goals	Quality;				
	Product				
	Development &				
	Discovery;		85.6	25	21.4
	Partnering &				
	Marketing;				
	Financial				
	Performance				
<b>Total Result</b>					<b>108.1</b>

<sup>1</sup> Dollars in millions.

For corporate employees, including Messrs. White, Winger, and Sawch, we considered a combination of the performance results for the Applied Biosystems group and the Celera group. This calculation was based on the same methodology that we used to allocate corporate overhead expenses to each of the Groups. In fiscal 2008, this ratio was approximately 86% for the Applied Biosystems group and 14% for the Celera group. For fiscal 2008, this resulted in a corporate modifier of 123.1%.

*Personal Modifier.* Following the end of the fiscal year, Mr. White, based on his review of the individual performance of each Named Executive Officer other than himself over the course of the year, proposes to the MRC a subjective personal modifier to reflect each executive's personal performance and contribution (either positive or negative) to the overall business results. The modifier considers the business performance, the business climate, and the level of difficulty or challenge in achieving the results, and teamwork and collaboration across the functions. Using similar criteria, the MRC makes a decision on any personal modifier applicable to Mr. White.

*Fiscal 2008.* The table below summarizes the decisions of the MRC with regard to the ICP awards for Mr. White and the other Named Executive Officers for fiscal 2008. These award amounts took into consideration actual base salary earned during the period, the individual's target bonus,

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the applicable business modifier as approved by the MRC, and the discretionary personal modifiers recommended by Mr. White for the Named Executive Officers other than himself and Ms. Ordoñez. As a result of the Celera separation, the personal modifier for Ms. Ordoñez was

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determined by the Board of Directors of Celera Corporation. With regard to Mr. White, the MRC evaluated Mr. White's performance based on its expectations for him as CEO. The committee determined that he had performed extraordinarily well in achieving strong business results during a year in which there were many substantial changes and consequently approved a discretionary personal modifier for him of 130%.

Personal modifiers for the other Named Executive Officers (other than Ms. Ordoñez) were recommended by Mr. White to the MRC, and took into consideration that these officers had performed their normal duties in a superior fashion as well as executing on several significant organizational changes, including the planning and completion of the Celera separation and the process leading to the agreement with Invitrogen.

	Base					
	Salary	Target	Target ICP	Business	Personal	Total ICP
	Earnings	Bonus	Budget	Modifier	Modifier	Amount
	(\$)	(%)	(\$)	(%)	(%)	(\$)
Tony L. White	1,198,077	130	1,557,500	123.1	130	2,492,467
Dennis L. Winger	617,592	95	586,712	123.1	140	1,011,140
William B. Sawch	545,200	90	490,680	123.1	140	845,638
Mark P. Stevenson	547,309	100	547,309	125.5	140	961,622
Kathy Ordoñez	589,628	95	560,147	108.1	120	726,622

*Fiscal 2009.* The Celera separation and the pending merger with Invitrogen have resulted in changes to the company's ICP for fiscal 2009. As a result of the Celera separation, the company will no longer consider the performance of Celera in the program. In addition, the likely closing of the Invitrogen merger in the fall of 2008 will result in the truncation of the program in fiscal 2009.

At its meeting on August 21, 2008, the MRC established performance criteria for the company for the fiscal 2009 incentive compensation program. These criteria are the same criteria used in fiscal 2008 with the exception that the goals component will be eliminated and each of the financial measures will be weighted 25%. The business targets, which are intended to present reasonable, yet achievable, challenges, correlate to the financial plan and operating goals for the year and, with respect to criteria for which public guidance is given, are within the range of such guidance. The MRC did not change the target bonus levels for any of the Named Executive Officers. Should the merger with Invitrogen be completed during fiscal 2009, the Named Executive Officers will be entitled a pro-rated ICP award for fiscal 2009. In such event, the MRC will determine a business modifier based on the results of the company for the most recent fiscal quarter ending prior to the effective date of the merger and will also determine personal modifiers in the manner described above based on the achievements and contributions of the Named Executive Officers (other than Ms. Ordoñez) for the portion of the fiscal year completed prior to the merger.

*Long-term and Equity Incentive Compensation*

We provide executives with various forms of equity incentives that generally vest over multiple years and, in some cases, vest based on pre-established business or stock price performance goals. In fiscal 2008, the company continued an equity incentive strategy with the following primary objectives:

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to provide executives with a financial stake in the company designed to increase management's focus on shareholder value;

to align the rewards and compensation outcome of executives with the variability of the performance of the stock;

to achieve a higher return on equity expense by focusing award participation on those individuals with a clear capability to drive growth in value; and

to provide market competitive earning opportunities commensurate with job responsibility, individual contribution, and company performance.

This strategy uses a combination of stock options and performance-vested restricted stock units which may be awarded in various proportions and in alternating annual grant cycles. We believe that awarding a combination of these equity vehicles to our senior executives best addresses and supports various objectives. For example, stock options provide a direct linkage to incenting improved shareholder return, and performance-vested restricted stock units can be designed to align rewards with specific objectives, such as improved top-line (revenue) growth and operational excellence. We also grant restricted stock awards from time to time to promote employee retention.

*Restricted Stock Units.* In fiscal 2008, we granted performance-based restricted stock units. The restricted stock units represented the right to receive one share of either Applied Biosystems stock or Celera stock at the time they vest. The units have pre-established threshold, target, and out-performance levels of attainment based on business plan forecasts established at the time the restricted stock units were granted.

The restricted stock units granted in January 2008 vest in increments of up to 13% for fiscal 2008 (representing a pro-rated portion of the overall grant corresponding to the performance period from the date of the grant through the end of fiscal 2008), and 29% for each of the successive one-year performance periods concluding at the end of fiscal 2009, 2010, and 2011. The units corresponding to the Applied Biosystems stock vest based on the attainment of revenue and operating margin percentage objectives for the Applied Biosystems group for each of the four periods. The restricted stock units corresponding to the Celera stock vest based on the attainment of revenue and gross margin percentage objectives for the Celera group for each of the four periods. We determined that revenue was an appropriate metric because of the top line growth initiatives for both the Applied Biosystems group and the Celera group. Separately, operating margin in the case of Applied Biosystems, and gross margin in the case of Celera, were identified as providing a balanced financial metric that would retain accountability for profitability and operational excellence. The Celera awards were assumed by Celera Corporation in connection with the Celera separation and will continue to vest in accordance with their terms, except that the Celera awards granted to Applied Biosystems employees (including the Named Executive Officers other than Ms. Ordoñez), will vest in full upon the closing of the merger with Invitrogen.

Those Named Executive Officers having responsibilities involving both the Applied Biosystems group and the Celera group (i.e., Mr. White, Mr. Winger, and Mr. Sawch) were granted restricted stock units in both Groups in a ratio approximating the ratio of the number of outstanding shares of Applied Biosystems stock to Celera stock. During fiscal 2008, this ratio was approximately 70/30.

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Ms. Ordoñez, who had primary responsibility for the Celera group, was granted restricted stock units for Celera stock only. Mr. Stevenson, who has primary responsibility for the Applied Biosystems group, was granted restricted stock units for Applied Biosystems stock only.

In determining the size of the RSU awards to Messrs. White and Winger, the MRC took into consideration the annualized value of their triennial grant of restricted stock discussed below. The estimated value of the RSUs in combination with the value of an annualized portion of the restricted stock awards was compared to the value of equity grants made to corresponding executives at companies in the relevant peer group. The value of the total direct compensation of Messrs. White and Winger (including base salary, annual bonus and non-equity incentives, and equity) was also compared to the total direct compensation of relevant executives in the peer group. In addition, the MRC considered the performance of Mr. White and the strength of his overall compensation package to determine an award that would motivate his continued successful leadership of the company.

Similarly, the grants for the other Named Executive Officers considered the relative position of total direct compensation compared to relevant peers in the market and the retentive value of the executive's compensation package as a whole.

The number of restricted stock units granted to each of the Named Executive Officers in fiscal 2008 is set forth below:

	Applied Biosystems Stock	Celera Stock
Tony L. White	90,000	40,000
Dennis L. Winger	24,500	12,000
William B. Sawch	24,500	12,000
Mark P. Stevenson	60,000	0
Kathy Ordoñez	0	100,000

*Fiscal 2008.* The results of the restricted stock unit programs for the Applied Biosystems group and the Celera group for fiscal 2008 were as follows:

Performance Measure	Applied Biosystems Group			Celera Group				
	Fiscal 2008 Threshold	Fiscal 2008 Target	Fiscal 2008 Out-Performance	Fiscal 2008 Result	Fiscal 2008 Threshold	Fiscal 2008 Target	Fiscal 2008 Out-Performance	Fiscal 2008 Result
<b>For the program established in fiscal 2006:</b>								
Revenue <sup>1</sup>	\$2,035.3	\$2,074.4	\$2,103.8	\$2,224.7	\$57.5	\$67.7	\$77.9	\$62.5
<b>For the program established in fiscal 2008:</b>								
Revenue	\$2,131.3	\$2,173.6	\$2,205.3	\$2,224.7	\$57.3	\$60.8	\$64.2	\$62.5
Operating Margin %	18.7%	19.1%	19.3%	19.3%				
Gross Margin %					68%	70%	72%	74.8%

<sup>1</sup> Dollars in millions.

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On August 21, 2008, the MRC determined that the Applied Biosystems group had exceeded its out-performance target for fiscal 2008 and vested for each grant an amount equal to

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120% of the target award for the fiscal year, corresponding to the full 25% of the fiscal 2006-2009 program grant and 13% of the fiscal 2008-2011 program grant. The value of the awards vesting in respect of fiscal 2008 results is shown for each Named Executive Officer in the table below entitled *Outstanding Equity Awards as of the End of Fiscal 2008*. The vesting of the portions of these grants that are based on performance during fiscal 2009 will be determined following the conclusion of the fiscal year.

At the August meeting, the MRC also determined that the Celera group had exceeded its performance threshold for fiscal 2008 with respect to the fiscal 2007-2009 program and vested for each grant an amount equal to 89.8% of the target award for the fiscal year, corresponding to approximately 15% of each grant, which is less than the full 16.67% increment of the grant tied to fiscal 2008 performance. The MRC also determined that the Celera group had exceeded its performance targets for fiscal 2008 with respect to the fiscal 2008-2011 program and vested for each grant an amount equal to 115% of the target award for the fiscal year, corresponding to approximately 12.5% of each grant, which is less than the full 13% increment of the grant tied to fiscal 2008 performance. The value of the awards vesting in respect of fiscal 2008 results is shown for each Named Executive Officer in the table below entitled *Outstanding Equity Awards as of the End of Fiscal 2008*. The vesting of the remaining portion of these grants that are based on performance during fiscal 2009 will be determined by the board of directors of Celera Corporation following the conclusion of the fiscal year.

*Fiscal 2009 and Beyond.* As noted above, the performance objectives with respect to the restricted stock units corresponding to both Applied Biosystems stock and Celera stock vesting in fiscal 2009 were established at the time of the original grants in fiscal 2006 and fiscal 2008. These goals, which were intended to present reasonable, yet achievable, challenges, were based on business plan forecasts at the time of grant.

*Restricted Stock.* In fiscal 2007, the MRC granted restricted stock awards of shares of Applied Biosystems stock and Celera stock to Messrs. White and Winger. These awards, which are set forth in the table below, were consistent with the terms of Mr. White's and Mr. Winger's employment arrangements and awards previously made to them, all of which have now vested. The number of shares of each class of common stock awarded was based on the ratio of the outstanding shares of each class of stock.

	Applied Biosystems Stock		Celera Stock	
	Performance-Based	Time-Based	Performance-Based	Time-Based
Tony L. White	134,820	67,410	57,780	28,890
Dennis L. Winger	33,705	0	14,445	0

The performance-based awards vest in three equal annual installments following the end of fiscal 2007, 2008, and 2009, based on the attainment of goals relating to operating cash flow for the company for each of those fiscal years. In addition, Mr. White received a grant of Applied Biosystems and Celera restricted stock which vests in three equal installments on June 30, 2007 and 2008, and August 17, 2009, subject to Mr. White being an employee of the company on that date. All of these awards will vest in full upon the closing of the merger with Invitrogen.

The restricted stock awards were originally granted to Messrs. White and Winger as an inducement to their joining the company and to compensate them for benefits provided by their



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former employers that were forfeited upon their joining the company. These awards have been continued in order to maintain their competitive total compensation package and to secure their continued employment. Operating cash flow for the company, net of capital expenditures, was chosen as a critical metric at the time the program was first established in fiscal 1996 and continues to be an important indicator of our success. At least 90% of the target must be achieved to vest in any amount of the award. Maximum vesting is achieved at 110% of targeted results.

On August 21, 2008, the MRC determined that the company had exceeded 110% of its target for fiscal 2008 and fully vested the maximum number of shares eligible to vest based on cash flow performance. The value of the awards for Mr. White and Mr. Winger vesting in respect of fiscal 2008 results is shown in the table below entitled *Outstanding Equity Awards as of the End of Fiscal 2008*.

	<b>Fiscal 2008 Target</b>	<b>Fiscal 2008 Result</b>	<b>Achieved</b>
Operating Cash Flow <sup>1</sup>	\$340.9	\$504.0	147.8%

<sup>1</sup> Dollars in millions.

*Fiscal 2009.* At its meeting on August 21, 2008, the MRC established an operating cash flow target for the company for fiscal 2009 for the performance-based restricted stock awards granted to Mr. White and Mr. Winger. Due to the Celera separation, this target, which was intended to present a reasonable, yet achievable, challenge, was based solely on the financial plan for Applied Biosystems for the fiscal year.

*Stock Options.* We continue to believe that it is in the company's best interest to grant stock options to certain management and other employees in order to achieve the company's long-term growth objectives and to align employee and shareholder interests. We consider the grant of stock options to the Named Executive Officers and other employees in conjunction with, or alternating with, periodic grants of performance-based restricted stock units and, potentially, other long-term incentive vehicles. This methodology is intended to balance the growth oriented incentive of stock options and stock price appreciation with the retention and share ownership qualities of stock grants.

During fiscal 2008, no stock options were granted to any of the Named Executive Officers because we granted performance-vested restricted stock units as part of our strategy of alternating grants of options and other equity awards on an annual basis. Overall, in fiscal 2008 the company maintained its policy to keep aggregate annual share dilution associated with the grant of equity to no more than 2% of the issued and outstanding shares of each class of our common stock.

*Vested Performance Units.* During fiscal 2008, a portion of the value of vested performance units was paid to Messrs. White, Winger, Sawch, and Stevenson with respect to grants made in fiscal 2002 and 2003 under the company's Performance Unit Bonus Plan. Awards under this plan vest upon the relevant class of common stock attaining and maintaining specified stock price targets, and the awards granted to these officers will vest in full upon the closing of the merger with Invitrogen. Amounts paid in fiscal 2008 with respect to vested performance units are included in the Stock Awards-Applied Biosystems Stock column in the *Summary Compensation Table* below.

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*Stock Ownership.* In order to reinforce the linkage of an executive's financial gain with shareholder performance, the MRC has established a requirement that each member of the Management Executive Committee of the company retain an investment in our common stock or stock equivalents equaling between one and five times the individual's annual base salary (depending on the individual's management level). Executives are given a period of five years to achieve these levels. The individual targets for each of the Named Executive Officers are as follows:

	<b>Multiple of Base Salary</b>
Tony L. White	5
Dennis L. Winger	2
William B. Sawch	2
Mark P. Stevenson	2
Kathy Ordoñez	2

As of the end of the company's 2008 fiscal year, all of the Named Executive Officers had satisfied their individual investment goals.

In addition to encouraging stock ownership by granting stock options, restricted stock units, and restricted stock, the company further encourages its employees to own the company's common stock through a tax-qualified employee stock purchase plan, which is generally available to all domestic and certain foreign employees. This plan generally allows participants to buy our common stock with up to 10% of their salary (subject to certain limits).

Prior to the Celera separation, the MRC monitored the ownership of shares of Applied Biosystems stock and Celera stock by senior officers as well as their outstanding stock options so that their interests were not misaligned with the two classes of common stock and with their duty to act in the best interests of the company and its shareholders as a whole.

*Benefits and Perquisites*

We offer a competitive level of benefits to executives as part of our total executive compensation program. The benefits are intended to help recruit and retain senior executives. We review our benefit programs on a periodic basis by benchmarking against the relevant peer group companies, reviewing published survey information, and obtaining advice from various independent benefit consultants.

The following programs are generally available to all eligible employees, including the Named Executive Officers:

medical, dental, vision, life insurance, and disability coverage;

tax-qualified 401(k) savings plan;

employee stock purchase plan;

paid time off and holidays;

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tax-qualified defined benefit pension plan for employees hired on or before June 30, 1999 (which was frozen as of June 30, 2004; i.e., no further benefits were earned after that date);

post-retirement medical plan for employees who participate in the pension plan and attain retirement eligibility, with company subsidized premiums for those employed by the company prior to January 1, 1993 (of the Named Executive Officers, only Mr. Sawch is eligible for the company-subsidized premium upon retirement; Messrs. White and Winger will have access to the plan upon retirement but will be responsible for all premiums; Ms. Ordoñez and Mr. Stevenson are not eligible for the plan);

non-qualified Excess Benefit Plan for all employees who are affected by the maximum limits on benefit accruals/contribution limits allowable in tax-qualified benefit plans under the Internal Revenue Code; see *Nonqualified Deferred Compensation as of the End of Fiscal 2008* below for more information about the plan; and

non-qualified Deferred Compensation Plan which provides tax deferred savings opportunity for eligible employees; see *Nonqualified Deferred Compensation as of the End of Fiscal 2008* below for more information about the Plan.

In addition, the programs below are available to certain executives, including the Named Executive Officers:

annual physicals, which are provided to assure us that our senior management identify and address any potential health risks;

financial planning and tax planning services, which are provided in light of the varied and complex components of each officer's compensation and to enable them to focus on the demands of their positions without being concerned about the appropriate financial planning and tax treatment of their compensation;

car allowances, as part of the competitive value of the total compensation package, and a leased car for Mr. Winger for his use when he is in Connecticut; and

excess liability insurance coverage to protect the company's officers from potential personal legal risks and exposures which may be incurred as a result of their position with the company.

We provide a limited number of additional benefits to the Named Executive Officers, as follows:

non-qualified Supplemental Executive Retirement Plan, or SERP, which is intended to provide a competitive level of pension benefits in recognition of the expertise and experience that our senior-most executives bring to the company and which assists us in retaining and attracting mid-career talent; see *Pension Benefits as of the End of Fiscal 2008* below for more information about the SERP;

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Supplemental pension benefit for Mr. White pursuant to the terms of his employment agreement, see *Pension Benefits as of the end of Fiscal 2008* and *Potential Payments Upon Termination or Change in Control* below;

Company housing, as appropriate. The company provides housing to Mr. White in California in light of his frequent and extended travel to the offices of the Applied Biosystems group. The company also provides housing to Mr. Winger in Connecticut in light of his frequent travel and extended stays in Connecticut. We also provide Mr. Winger with security services for his California residence, as well as reimbursement of reasonable travel expenses for his spouse when she travels to join him on trips to the east coast. Mr. Stevenson receives a housing subsidy which is related to his relocation to the U.S. in 2004; and

We maintain a corporate aircraft to provide a secure and efficient means of travel for Mr. White and other employees for business purposes. Under a security policy adopted by the MRC, Mr. White is required to use company aircraft for both personal and business travel, except when it is not practical to do so.

### ***Potential Payments upon Termination of Employment***

As is common practice in our industry, in the event employment is terminated by the company without cause, we would provide severance compensation and benefits to the Named Executive Officers to assist in their transition to other career opportunities. Messrs. White and Winger have employment agreements that were negotiated at the time of their hiring and provide for a specified amount of severance compensation and benefits in the event that we terminate their employment without cause. The other Named Executive Officers are not covered under our general employee severance policy, and severance benefits payable to them would be determined by the MRC on a case-by-case basis in its discretion consistent with our prior practices and the treatment of other similarly situated executives. The severance compensation payable upon termination is described in further detail below under the heading *Potential Payments upon Termination or Change in Control*.

Consistent with industry practice, we have historically entered into individual change in control agreements with senior executives, including each of the Named Executive Officers, in order to provide transition benefits in the event their position is eliminated as a result of a change in control. In light of their critical role in evaluating strategic opportunities, including those that may result in a change in control and possible job redundancy, it is very important to the company and its shareholders that these executives be able to evaluate the transaction from the perspective of the best interests of the company and its shareholders. In addition, the MRC believes that these agreements are a competitive requirement to attracting and retaining highly-qualified senior executives. These agreements are described in further detail below under the heading *Potential Payments upon Termination or Change in Control*.

### **Compensation Committee Report**

The Management Resources Committee oversees compensation policies and practices for the company's senior management, including salary, bonus, and incentive awards. The Committee has reviewed and discussed with management the Compensation Discussion and Analysis

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presented above. Based on this review and discussion, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Form 10-K/A.

Management Resources Committee

William H. Longfield, Chair

Arnold J. Levine

Carolyn W. Slayman

**Summary Compensation Table**

The following table provides information about the compensation provided to our Chief Executive Officer, Chief Financial Officer, and the three other most highly paid executive officers (the Named Executive Officers) in fiscal 2008.

Stock Awards <sup>1</sup>		Option Awards <sup>1</sup>		Non-Equity Incentive Plan Compensation (\$) <sup>2</sup>	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) <sup>3</sup>	All Other Compensation (\$) <sup>4</sup>	Total (\$)
Applied Biosystems Stock (\$)	Celera Stock (\$)	Applied Biosystems Stock (\$)	Celera Stock (\$)				
3,622,251	603,194	400,815	116,886	2,492,467	2,600,848	243,144	
3,313,715	532,245	167,006	48,703	2,213,677	2,846,393	199,165	
927,712	132,438	114,519	33,396	1,011,140	892,999	165,696	
868,739	111,438	47,716	13,915	836,970	874,571	155,346	
574,035	65,125	114,519	33,396	845,638	479,379	35,420	
515,061	44,125	47,716	13,915	700,042	657,283	40,231	
435,922	0	163,598	0	961,622	128,048	66,980	
197,167	0	68,166	0	487,672	0	64,919	

A "Market Disruption Event" means with respect to any Component, any of the fol

(a) the occurrence or existence of a condition specified below at any

(i) any material suspension of or limitation imposed on trading  
reason of movements in price exceeding limits permitted by the Rel  
or a Successor Component or (B) in any additional futures or option  
or any Successor Component, as the case may be, on any exchange or

(ii) any event (other than an event described in (b) below)  
Agent) the ability of market participants in general (A) to effect tran  
any Successor Component or (B) to effect transactions in, or  
contracts or other commodities relating to any Component or any Su  
or p

(b) any other event, the Calculation Agent determines in its sole  
affiliates ability to unwind all or a material portion of a hedge with respect

The Notes are not subject to redemption before maturity, and are not subject to the d  
of De

If an Event of Default (as defined in the accompanying prospectus) with respect to  
payable to you, as a beneficial owner of a Note, upon any acceleration permitted by the N  
the date of early repayment were the Maturity Date of the Notes, adjusted by an amount  
any underlying or related hedging or funding arrangements, all as determined by the  
bankruptcy proceeding is commenced in respect of us, the claims of the holder of a Note

Settlement for the Notes by Bear Stearns will be made in immediately available fu  
by us in immediately available fund

*Bear Stearns will be the Calculation Agent for the Notes.* All determinations ma  
discretion and will, in the absence of manifest error, be conclusive for all purposes ar  
Notes and our subsidiary is the Calculation Agent, potential conflicts of interest may  
determinations and judgments that Bear Stearns must make in determining the Cash  
duties and functions as Calculati

**DESCRIPTION OF THE BASK**

We obtained all information regarding the Components contained in this pricing su  
assume any responsibility for the accuracy or cor

The settlement prices of the Components are determined by reference to the offic  
traded on the NYMEX, the LME and the LBMA. The following discussion of the operati  
trade is based on publicly available information and is provided for informational purpos  
Components, NYMEX, LME and LBMA to deter

*NYMEX.* The NYMEX, located in New York City, is a commodities futures exchang  
and precious metals. NYMEX began commodities trading in 1872, organized as the  
traded a variety of different commodity products. The establishment of energy futures  
heating oil futures contracts. NYMEX opened trading in leaded gasoline futures in 19

*LME.* The LME was established in 1877 and is a non-ferrous metal exchange  
among other metals, are traded. In contrast to U.S. futures exchanges, the LME operates a  
and is therefore more closely analogous to over-the-counter physical commodity markets  
trade with each other as principals and not as agents for customers, although such membe  
their customers. In addition, while futures exchanges permit trading to be conducted in  
historically LME contracts were established for daily delivery (referred to as a "prompt  
contract. After three months following the date of such contract the daily prompts fo  
contracts out to 15, 27 and 63 months forward (depending on the commodity underlyin  
market, there are no price limits applicable to LME contracts, and prices could o  
conducted on the basis of warr

The LME is not a cash cleared market. Both inter-office and floor trading are clear  
House, whose role is to act as a central counterparty to trades executed between clear  
The LME is subject to regulation by the Financial Services Authority in the United Kingd  
inter-office dealing which allows the LME to operate as a 24-hour market. Trading on t  
to 1:15 p.m. and from 3:10 p.m. to 4:35 p.m., London time. The two sessions are each bro  
in each contract. After the second ring of the first session the official prices for the day ar  
markets, an official exchange operated electronic trading platform is available. Contracts

Copper has traded on the LME since its establishment. The copper contract was up

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June 1986. Primary Aluminum was introduced as a 99.5% contract in December 1986. August 1987. The LME share (by weight) of world terminal market tra

*LBMA.* The London gold bullion market is the principal global clearing center for transactions in spot, forward and options contracts, together with exchange-traded contracts. The representative body of the London gold bullion market is the LBMA, whose members are market-makers. LBMA is currently comprised of 60 members, of which 9 are market-making members. Twice daily during London trading hours there is a "fixing" which provides reference gold prices. London fixing is traditionally limited to five market-making members of the LBMA. The fixing is held at 10:30 a.m., to determine the London morning fixing price, and at 3:00 p.m., to determine the London afternoon fixing price. The members of the gold fixing are currently Barclays Bank PLC, the Bank of Nova Scotia, Société Générale, and Société Générale. The chairmans

Clients place orders with the dealing rooms of fixing members, who net all orders before the fixing. Orders may be changed at any time during these proceedings. The gold price is determined by the interaction of buyers and sellers at a given price until supply and demand are balanced, at which time the price is fixed at this price, wh

The market for gold bullion is global and gold prices are subject to volatile price movements due to numerous factors, including macroeconomic factors such as the structure of and confidence in the U.S. dollar, the future rate of inflation; the relative strength of, and confidence in, the U.S. dollar, the interest rates; gold borrowing and lending rates; and global or regional economic conditions. In addition, gold prices may be affected by industry factors such as industrial and jewelry demand, the gold mining sector, including central banks and other governmental agencies and multilateral institutions, and production costs; and short-term changes in supply and demand because of trading a

*West Texas Intermediate Crude Oil.* The closing price of West Texas Intermediate Crude Oil is the closing settlement price per barrel of the Crude Oil (West Texas Light Sweet Crude Oil) as of the delivery date. Although West Texas Intermediate Crude Oil is refined principally in the Gulf Coast, it is priced as well as pricing other domestic crudes as well as some foreign grades. The West Texas Intermediate Crude Oil (rather than regional) supply and demand conditions due to the availability of product and demand from the Gulf Coast, a major crude oil trading and refining center. Demand for petroleum products from the transportation industries, determines demand for crude oil by refiners. Because the price of crude oil demand will tend to reflect economic conditions. However, other fac



Crude oil supply is determined by both economic and political factors. Oil prices (affected by drilling, taxes and technology) determine exploration and development spending while production decisions by the OPEC also affect supply and prices. Oil export embargos

*Natural Gas.* The closing price of natural gas is determined by reference to the closing price of the Henry Hub Natural Gas futures contract on the NYMEX with the next succeeding business day. The price of natural gas is primarily affected by demand for and supply of natural gas. On the demand side, natural gas has become a major energy source in the United States, for both consumers and industry, in part because it burns more cleanly and is less expensive than coal. For example, power plants, for example, have shifted away from coal or oil to natural gas to produce electricity. Similarly, the residential and commercial sectors have shifted away from oil to natural gas for heating.

Broadly speaking, natural gas prices have increased in recent years due to the interplay of supply and demand, competing government policies that encourage use of natural gas but limit access and investment in natural gas infrastructure necessary to bring more natural gas to market.

*Copper.* The closing price of copper is determined by reference to the official closing price of the London Metal Exchange Grade A for cash delivery. The price of copper is primarily affected by the global supply and demand for copper, which is significantly influenced by the level of global industrial economic activity. Industrial sectors such as transportation, packaging and building sectors. In recent years demand has been supported by strong consumption in emerging markets, particularly in China, to be in a copper-intensive period of economic growth as they develop their infrastructure. Supply is primarily affected by adjustments to inventory in response to changes in demand.

Apart from the United States, Canada and Australia, the majority of copper comes from South America, particularly Chile and Peru. The Organization for Economic Cooperation and Development countries. Chile is the largest producer of copper in the world. Supply has been affected by strikes, financial problems and political unrest. These factors have led to a significant increase in the price of copper, particularly in Africa.

*Aluminum.* The closing price of aluminum is determined by reference to the official closing price of the London Metal Exchange grade primary aluminum for cash delivery. The price of aluminum is primarily affected by the global supply and demand for aluminum, which is significantly influenced by the level of global industrial economic activity. Industrial sectors such as transportation, packaging and building sectors. An additional, but highly volatile, factor is the price of energy, particularly electricity, in response to changes in economic activity and/or pricing levels. There are substitutes for aluminum in many applications (e.g., steel, plastic, wood, etc.). Their availability and price will also affect the demand for aluminum. More importantly, the price of energy is the principal factor dictating the smelting of such aluminum is the ready availability of inexpensive energy. Supply is primarily affected by current and previous price levels, which will influence investment decisions in new smelting capacity and transportation infrastructure.

*Gold.* The closing price for gold is determined by reference to the London afternoon fixing price for gold bullion for delivery in London through a member of the LBMA authorized to effect such sales.

provides reference gold prices for that day's trading. Formal participation in the L members of the LBMA. The fixing is conducted twice each business day by telephone at and at 3:00 p.m. to determine the London afternoon fixing price. The members of Scotia ScotiaMocatta, Deutsche Bank AG, HSBC Bank USA, NA and Société Générale among its members. Clients place orders with the dealing rooms of fixing members, who representative at the fixing. Orders may be changed at any time during these proceedings more buyers or sellers at a given price until supply and demand are balanced, at which fulfilled at this price, which

**Historical C**

The Basket is not a recognized market index. The Basket was created solely for during the term of the Notes. The Basket does not reflect the performance of all major commodities market performance. The historical settlement prices of the Components the offering of the Notes, fluctuated significantly in the past and may, in the future, exhibit a downward trend in the settlement prices of the Components underlying the Basket and an annual percentage change in the price level of the Components underlying the Basket the Notes. The historical levels do not give an indication of future price levels of the assurance that the future price levels of the Components underlying the Basket will result at maturity greater than the principal amount of their Notes. We do not make a

We obtained the settlement prices of the Components used to calculate the historical without independent verification. The actual prices or level of the Components and Observation Date m

	<b>Crude Oil</b>	<b>Nat</b>
<b>1995</b>		
<b>First Quarter</b>	19.17	
<b>Second Quarter</b>	17.40	
<b>Third Quarter</b>	17.54	
<b>Fourth Quarter</b>	19.55	
<b>1996</b>		
<b>First Quarter</b>	21.47	
<b>Second Quarter</b>	20.92	
<b>Third Quarter</b>	24.38	
<b>Fourth Quarter</b>	25.92	
<b>1997</b>		
<b>First Quarter</b>	20.41	
<b>Second Quarter</b>	19.80	
<b>Third Quarter</b>	21.18	
<b>Fourth Quarter</b>	17.64	
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	Crude Oil	Nat
<b>1998</b>		
First Quarter	15.61	
Second Quarter	14.18	
Third Quarter	16.14	
Fourth Quarter	12.05	
<b>1999</b>		
First Quarter	16.76	
Second Quarter	19.29	
Third Quarter	24.51	
Fourth Quarter	25.60	
<b>2000</b>		
First Quarter	26.90	
Second Quarter	32.50	
Third Quarter	30.84	
Fourth Quarter	26.80	
<b>2001</b>		
First Quarter	26.29	
Second Quarter	26.25	
Third Quarter	23.43	
Fourth Quarter	19.84	
<b>2002</b>		
First Quarter	26.31	
Second Quarter	26.86	
Third Quarter	30.45	
Fourth Quarter	31.20	
<b>2003</b>		
First Quarter	31.04	
Second Quarter	30.19	
Third Quarter	29.20	
Fourth Quarter	32.52	
<b>2004</b>		
First Quarter	35.76	
Second Quarter	37.05	
Third Quarter	49.64	
Fourth Quarter	43.45	
<b>2005</b>		
First Quarter	55.40	
Second Quarter	56.50	
Third Quarter	66.24	
Fourth Quarter	61.04	

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**CERTAIN U.S. FEDERAL INCOME TAX CO**

In the opinion of Cadwalader, Wickersham & Taft LLP, special U.S. tax counsel, the material U.S. federal income tax consequences of the purchase, beneficial ownership and holding of the Notes are summarized in the attached document, "Federal Income Tax Treatment of Non-U.S. Holders," this summary is intended to be read in conjunction with that document.

an individual who is a citizen or resident of the United States;

a corporation (or other entity that is treated as a corporation for U.S. federal income tax purposes) under the laws of the United States;

an estate whose income is subject to U.S. federal income tax;

a trust if a court within the United States is able to exercise primary supervision over the trust and United States persons have the authority to control the trust's investments;

An individual may, subject to certain exceptions, be deemed to be a resident of the United States for a calendar year if the individual is present in the United States for at least 31 days in the calendar year and the individual is present in the United States for a period ending in the current calendar year (counting for such purposes all of the days present in the United States in the immediately preceding year, and one day in the current year).

This discussion is based on interpretations of the Internal Revenue Code of 1986, as amended, and rulings and decisions currently in effect (or in some cases proposed), all of which may be subject to change retroactively and may adversely affect the federal income tax consequences described in this summary. This summary does not discuss the federal income tax consequences of the purchase of Notes at initial issuance and beneficially own such Notes as capital assets and not as a "conversion transaction" for federal income tax purposes, or as part of some other integrated transaction. This summary does not discuss the federal income tax consequences that may be relevant to particular investors or to investors subject to special rules, such as banks, thrifts, or other financial institutions; insurance companies; securities dealers; mutual funds or real estate investment trusts; small business investment companies; trusts; partnerships or other entity treated as a partnership for U.S. federal tax purposes; investors who are former citizens or residents of the United States; persons subject to the alternative minimum tax; persons holding the Notes in tax-deferred or tax-advantaged accounts; or "controlled foreign corporations" for U.S. federal income tax purposes), and this summary does not discuss the federal income tax consequences in local taxing jurisdictions. This summary also does not address the tax consequences to shareholders of a corporation, or any state, local or foreign tax consequences of the purchase, ownership or disposition of the Notes. Investors are urged to consult their tax advisors with respect to the federal, state and local tax consequences arising under the laws of the United States and any applicable state, local or foreign law.

**Prospective holders of the Notes should consult their tax advisors as to the federal income tax consequences of the purchase, ownership and holding of the Notes.**

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For U.S. federal income tax purposes, we intend to treat the Notes as "contingent interest."

Under the noncontingent bond method, U.S. Holders of the Notes will accrue OID on the Notes at the comparable yield." As a result, U.S. Holders that employ the cash method of tax accounting will be required to report income each year even though no cash payments are made.

In general, the comparable yield of a CPDI is equal to the yield at which its issuer could issue a CPDI under conditions similar to those of the CPDI, including the level of subordination, term, timing of payments, and the CPDI is available that, if integrated with the CPDI, would produce a synthetic debt instrument. The comparable yield will be equal to the yield on the synthetic debt instrument. Alternatively, the comparable yield of instruments of the issuer trade at a price that reflects a spread above a benchmark rate on the issue date and the spread. Under the noncontingent bond method, the comparable yield is determined by allocating to each day in any accrual period a rate of interest that would produce the same amount of interest as the CPDI would produce if it were a synthetic debt instrument.

Based on these factors, we estimate that the comparable yield of the Notes would be determined by allocating to each day in any accrual period a rate of interest that would produce the same amount of interest as the CPDI would produce if it were a synthetic debt instrument. Accordingly, U.S. Holders will accrue OID in respect of the Notes at a rate equal to the comparable yield. The "adjusted issue price" of the Notes at the beginning of an accrual period will be the product of the "adjusted issue price" of the Notes at the beginning of the prior period plus the amount of any payment received during the prior period less the amount of any payment made during the prior period. The "adjusted issue price" of the Notes at the beginning of an accrual period will be the product of the "adjusted issue price" of the Notes at the beginning of the prior period plus the amount of any payment received during the prior period less the amount of any payment made during the prior period. The "adjusted issue price" of the Notes at the beginning of an accrual period will be the product of the "adjusted issue price" of the Notes at the beginning of the prior period plus the amount of any payment received during the prior period less the amount of any payment made during the prior period.

Under the noncontingent bond method, the comparable yield of a CPDI is used to determine the comparable yield. U.S. Holders may obtain the actual comparable yield and the projected payment schedule for the Notes are used to determine the comparable yield.

Under the noncontingent bond method, the projected payment schedule is not revised if the actual yield or payments of the Notes differ from the projected yield or payments.

The comparable yield and the projected payment schedule for the Notes are used to determine the comparable yield. U.S. Holders may obtain the actual comparable yield and the projected payment schedule for the Notes are used to determine the comparable yield. U.S. Holders may obtain the actual comparable yield and the projected payment schedule for the Notes are used to determine the comparable yield.

A U.S. Holder will generally be bound by our determination of the comparable yield and the projected payment schedule for the Notes are used to determine the comparable yield. U.S. Holder determines its own projected payment schedule and comparable yield, and explains to the IRS the reason for preparing its own schedule. U.S. Service (the "IRS"), and explains to the IRS the reason for preparing its own schedule. U.S. Holder determines its own projected payment schedule and comparable yield, and explains to the IRS the reason for preparing its own schedule. U.S. Service (the "IRS"), and explains to the IRS the reason for preparing its own schedule.

IRS could conclude that some other projected payment s

*Treatment of Interest Payments (if any) Received Prior*

If the actual interest payments (if any) received on the Notes by a U.S. Holder exceed the amounts reflected on the projected payment schedule for such year (such amount, the "excess"), the U.S. Holder will be required to include the positive adjustment in income as ordinary OID income for the U.S. taxable year in which the excess is received. If the actual interest payments (if any) received on the Notes by a U.S. Holder prior to the Maturity Date exceed the amounts reflected on the projected payment schedule for such year (such difference, a "negative excess"), the U.S. Holder will be allowed to deduct the negative excess as an OID on the Note that would otherwise accrue for that taxable year. Any excess is then treated as ordinary interest income for the taxable year in which it is received, to the extent of OID accrued (and not otherwise reduced) in prior years. The balance, if any, will be treated as ordinary interest income for the taxable year in which it is received. A negative adjustment is not subject to the two percent floor limitation imposed on miscellaneous deductions.

*Sale*

A U.S. Holder of a Note will recognize gain or loss on the sale, exchange or other disposition if the amount realized is more or less than its purchase price, increased by the OID previously accrued on the Note (less any net positive or net negative adjustments to OID inclusions), less the aggregate amount of interest payments (if any) reflected on the projected payment schedule that were scheduled to have been made with respect to the Note prior to the date of the sale, exchange or other disposition (less interest payments actually made). In general, any gain realized by a U.S. Holder on the sale, exchange or other disposition will be treated as ordinary interest income. Any loss recognized on a sale, exchange or other disposition will be treated as a capital loss, to the extent of the OID previously accrued by such U.S. Holder on the Note (taking into account the two percent floor limitation imposed on miscellaneous deductions). The deductibility of a loss recognized on a sale, exchange or other disposition of a Note will be treated as a capital loss. The deductibility of a loss recognized on a sale, exchange or other disposition of a Note will be treated as a capital loss.

As used in this discussion, the term "Non-U.S. Holder" means a beneficial owner

an estate whose income is not s

a trust if no court within the United States is able to exercise primary or substantial control over the trust, or any other person or persons holding

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Payments on the Notes to Non-U.S. Holders will not be subject to U.S. federal

the Non-U.S. Holder does not actually or constructively own 10% or

the Non-U.S. Holder is not a controlled foreign corporation for U.S.

the Non-U.S. Holder is not a bank receiving interest on

the Basket Components are actively traded within

the payments are not effectively connected with a trade or business c  
either (a) the Non-U.S. Holder provides a correct, complete and executed  
Form W-8IMY (or successor form) with all of the attachments required  
through a qualified intermediary (generally a foreign financial institution or  
office of a U.S. financial institution or clearing organization that is a  
provided to us an IRS Form W-8IMY stating that it is a qualified inter

We expect that the Basket Components will be treated as actively traded within the  
conditions are not satisfied, interest (including OID) on the Notes will be subject to a 30%  
reduces or eliminates the tax or the interest is effectively connected with the conduct of a  
a correct, complete and executed IRS Form W-8ECI. In the latter case, such Non-U.S.  
respect to all interest

In general, gain realized on the sale, exchange or retirement of the Notes by a Non-

the gain with respect to the Notes is effectively connected with a

the Non-U.S. Holder is a nonresident alien individual who holds the Notes  
for more than 182 days in the taxable

A Note held by an individual who at death is a Non-U.S. Holder will not be included in the decedent's  
estate tax purposes if payments on the Notes to the Non-U.S. Holder would not have been

Information reporting will apply to certain payments on a Note (including interest and principal) to a  
Holder that is not an exempt recipient (such as a corporation). Backup withholding may apply if the  
Holder has failed to provide its correct taxpayer identification number.



notified by the IRS of an underreporting by the U.S. Holder (underreporting generally refers to the U.S. Holder's failure to include in income on its tax return any reportable dividend and interest payments required to be reported if the U.S. Holder has been notified by the IRS that the tax identification number provided to the IRS on the U.S. Holder's tax return is incorrect).

Backup withholding and nonresident alien withholding will not be required with respect to interest payments made to a Non-U.S. Holder if the Non-U.S. Holder has received from the Non-U.S. Holder a correct and complete IRS Form W-8 (or a properly completed IRS Form W-8-BEN) and the required attachments required by the IRS. Interest paid to a Non-U.S. Holder will be reported on the U.S. Holder's tax return.

Information reporting and backup withholding may apply to the proceeds of a sale of securities if the sale is made in the United States or conducted through certain U.S. related financial intermediaries.

Backup withholding is not an additional tax and may be refunded (or credited against the U.S. Holder's tax liability) if the U.S. Holder provides the information reporting requirements may apply regardless of whether withholding is required. The U.S. Holder should file tax returns reporting such interest and withholding also may be made available to the tax authorities of the U.S. Holder's country of residence if the U.S. Holder is a resident under the laws of that country.

**The preceding discussion is only a summary of certain of the tax implications of investing in the securities. Investors are urged to consult with their own tax advisors prior to investing to determine the tax consequences of investing in the securities.**

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**CERTAIN ERISA CONSIDERATIONS**

Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), prohibits certain other transactions involving the assets of plans that are qualified under the Code ("IRAs") and persons who have certain specified relationships to them. Section 406 of the Code, as amended ("ERISA"), prohibits similar transactions involving employee benefit plans that

Persons who have such specified relationships are referred to as "parties in interest" under the Code. "Parties in interest" and "disqualified persons" encompass a wide range of persons, including a manager, trustee or custodian), any person providing services (for example, a broker), and certain members are covered by the Plan, and certain

The purchase and/or holding of the Notes by a Plan with respect to which the Company is the provider (or otherwise is a "party in interest" or "disqualified person") would constitute a prohibited transaction under ERISA or Section 4975 of the Code, unless such Notes are acquired or held pursuant to an administrative exemption. The Company and several of its subsidiaries, such as Bear Stearns, are "parties in interest" under ERISA with respect to many Plans, although the Company is not simply because the IRA is established with Bear Stearns or because Bear Stearns provides the services. Bear Stearns can be a "party in interest" to any IRA other than certain employer-sponsored

Applicable exemptions may include certain prohibited transaction class exemptions ("PTCE") 84-14 relating to qualified professional asset managers, PTCE 96-23 relating to bank collective investment funds, PTCE 90-1 relating to insurance company separate accounts, and PTCE 90-1 relating to general accounts. A fiduciary of a Plan purchasing the Notes, or in the case of certain Plans, the Notes for the IRA, shall be deemed to represent that its purchase, holding, and disposition of the Notes is a transaction under ERISA or Section

A fiduciary who causes an ERISA Plan to engage in a non-exempt prohibited transaction under Section 4975 generally imposes an excise tax on disqualified persons who engage in, directly or indirectly,

In accordance with ERISA's general fiduciary requirement, a fiduciary with respect to the Notes on behalf of such plan should determine whether such purchase is permitted under ERISA, appropriate for the ERISA Plan in view of its overall investment policy and the composition of the Plan, with, or for which services are provided by, the Company and/or Bear Stearns should

Certain employee benefit plans, such as governmental plans (as defined in Section 3(33) of ERISA), Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA), are not

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However, such plans may be subject to the provisions of applicable federal, foregoing provisions of ERISA or the Code. Fiduciaries of such plans should consider fiduciary of such a plan will be deemed to represent that the plan's acquisition and holdi

#### USE OF PROCEEDS AND HEDG

At closing we will transfer the net proceeds from the sale of the Notes to BSIL, before the date of this pricing supplement, will enable us to hedge our anticipated exposure of exchange-traded and over-the-counter options on, or other derivative or synthetic contract positions in the Components, futures contracts on the Components and/or on initial offering and before the maturity of the Notes, depending on market conditions (including with respect to the Notes, we expect that BSIL will increase or decrease those initial hedge take long or short positions in listed or over-the-counter options contracts on, Components, cash or forward contracts in the Components, futures contracts on the addition, BSIL may periodically purchase or otherwise acquire a long or short position in such Notes. BSIL may also take positions in other types of appropriate financial instruments long hedge position in the Components, or options contracts in, or other derivative or synthetic liquidate a portion of its holdings at or about the time of the maturity of the Notes. Depending total amount and the composition of such positions are likely to vary over time. BSIL hedging position until such position is closed out and any offsetting position or position believe that such hedging activity will have a material effect on the price of the Components the prices of the Components as a result of its hedging activities. You should also re

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**SUPPLEMENTAL PLAN OF DISTRIBUTION**

Subject to the terms and conditions set forth in the Distribution Agreement dated [redacted] 2007, Bear Stearns, as principal, and Bear Stearns has agreed to purchase from us, the aggregate

**Agent**

Bear, Stearns & Co. Inc.

**Total**

Bear Stearns intends to initially offer \$15,600,000 of the Notes to the public at the public offering price, and to subsequently resell the remaining face amount of the Notes at prices not less than the public offering price. In the future, the agents may repurchase and resell the Notes in market-making transactions at market prices at the time of resale or at negotiated prices. We will offer the Notes to Bear Stearns at a discount to the public offering price. Notes are offered to the public. Bear Stearns may reallow a discount to other agents.

In order to facilitate the offering of the Notes, we may grant the agents a 30-day option to purchase from us up to an additional \$2,300,000 of Notes at the public offering price, less a commission. The agents may over-allot or effect transactions which stabilize or maintain the market for the Notes, if such actions are otherwise permitted by law. Specifically, the agents may over-allot or otherwise sell more Notes than have been sold to them by us. If this option is exercised, in whole or in part, we will become obligated to purchase from us and we will be obligated to sell to the agents an amount of Notes equal to the amount of the option exercised. The Agents may elect to cover any such over-allotment.

Payment of the purchase price shall be made in cash.

The agents may be deemed to be "underwriters" within the meaning of the Securities Act of 1933, and we will be required to make contributions relating to certain civil liabilities, including liabilities under the Securities Act of 1933.

The Notes are a new issue of securities with no established secondary market. The Notes do not expect a secondary market to develop. Bear Stearns has advised us that, following the offering, it may, under ordinary market conditions, to indicate prices for the Notes on request, although it may engage in market-making activities at any time without notice. Accordingly, no guarantees can be made as to the liquidity of the Notes.

Notes will develop or, if such a secondary market develops, as to the liquidity of the Notes. No assurance that any outstanding Notes will be made in the future; nor can we predict the price at which any

Bear Stearns may stabilize or maintain the price of the Notes by bidding for or purchasing the Notes in the open market, or by other means, including but not limited to, the use of over-allotments, previously distributed in the offering are repurchased.

The effect of these transactions may be to stabilize or maintain the market price of the Notes in the open market. The imposition of a penalty bid may also affect the price of the Notes. No representation is made as to the magnitude or effect of any such stabilization or bid, which may be discontinued at any time and in any event shall be discontinued within a reasonable period of time.

Because Bear Stearns is our wholly-owned subsidiary, each distribution of the Notes will be made through Bear Stearns.

#### **LEGAL MATTERS**

The validity of the Notes will be passed upon for us by Cadwalader, Wickersham & Taft LLP.

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**\$12,410,781,162**

**The Bear Stearns Company**  
**Medium-Term Notes, Series**

*Set forth below is a summary of the terms of the notes offered by this prospectus.*

The notes have a fixed or floating interest rate.

The principal, interest or other amounts payable on the notes, if any, will be paid in U.S. dollars.

The notes will be our unsecured senior debt and will rank equally with all other unsecured senior debt.

The notes will not be subject to a sinking fund unless otherwise specified.

Interest on fixed rate notes will be paid semi-annually or otherwise on the dates set forth in the prospectus. Interest on floating rate notes or index notes will be paid monthly, quarterly, semiannually, annually or as otherwise specified.

The notes will be issued in book-entry form unless

The notes will be issued in minimum denominations of \$25,000 (or the specified currency or specified currency equivalent), unless

INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. SEE "

**Neither the Securities and Exchange Commission nor any state securities commission or passed upon the adequacy or accuracy of this prospectus supplement or the**

	Per Note
Initial public offering price(1)	100%
Agents' discounts and commission(2)	0.125%
Our proceeds, before expenses(3)	99.250%

We will issue the notes at 100% of their principal amount, unless

We will pay a commission to each agent, in the form of a discount, ranging from 0.125% to 0.250% depending on maturity, when that agent places such note. Any agent may receive a commission other than one based on maturity, provided that the maximum commission is 0.250% on any agent as principal either at a discount or at 100% of their principal amount at the time of resale. See "Supplemental Plan of Distribution." We have not included

Before de

In US dollars or their e

**Bear, Stearns & Co. I**

February 2, 2005

We are offering the notes on a continuing basis through Bear, Stearns & Co. I has agreed to use its reasonable best efforts to solicit purchases of the notes. We h behalf. We will not list the notes on any securities exchange, and we cannot assure yo will be sold or that there will be a secondary market for them. We reserve the righ prospectus supplement without givi

Each agent may use this prospectus supplement in connection with offers and s notes. Each agent may act as principal or agent in the market-making transactions

You must read this prospectus supplement and the accompanying prospectus to incorporated in this prospectus supplement and the accompanying pro Information" in the accompanying prospectus). This prospectus suppleme construed on the basis that the incorporated documents are so incorporated and

We have not authorized any person to give any information or represent any the accompanying prospectu

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**RISK FACTORS**

Your investment in the notes involves risk. In consultation with your financial and investment advisor, you should carefully consider the risks and the other information included or incorporated by reference in the applicable prospectus, including the information under "Where You Can Find More Information," before deciding that an investment in the notes is suitable for you. You should not

**There may not be any Trading Market for Your Notes; Many Factors May Affect the Value of Your Investment**

Upon issuance, the notes will not have an established trading market. We cannot guarantee that a trading market will develop, or, if one develops, that it will be maintained. If you wish to liquidate your investment in the notes, you may have to do so at a price less than the face value of the notes or no market may develop at all. At that time, there may be an illiquid market for the notes or no market may develop at all. Many factors may affect the trading market value of the notes, including:

the complexity and

the method of calculating the principal, or any premium,

the total outstanding amount

th

the level

We expect that changes in interest rates will affect the trading value of the notes. If US interest rates increase, the trading value of the notes will decrease and, conversely, if US interest rates decrease,

In addition, notes that are designed for specific investment objectives or strategies may experience greater price volatility. There may be a limited number of buyers when you decide to sell your notes, which may reduce your ability to sell your notes at all. You should not purchase notes unless you understand these risks.

**The Notes are not Insured Against Loss by any Third Party; You can only Depend on our Ability to Pay**

The notes will be solely our obligations, and no other entity will have any obligation to pay the notes.

In addition, because we are a holding company whose primary assets consist of the equity interests in our subsidiaries, almost all of our income is derived from those subsidiaries. Our subsidiaries will have no obligation to make any funds available for payment of the notes.



distributions or loans from our subsidiaries to generate the funds necessary to meet our obligations of principal and interest. The notes will also be effectively subordinated to the claims of

If funds from dividends, other distributions or loans from our subsidiaries are not available to pay principal or interest in respect of the notes, we will not be required to pay principal or interest on the notes until the claims of the holders of such securities are satisfied.

As of December 31, 2013, we had outstanding (on an unconsolidated basis) approximately \$36.2 billion of unsecured senior debt.

As of December 31, 2013, our subsidiaries had outstanding (after elimination of inter-company obligations) (including \$55.8 billion related to securities sold under repurchase agreements with customers, \$28.0 billion related to financial instruments sold, and \$1.0 billion related to

**If the Notes are Redeemable, We may Redeem such Notes**

If the pricing supplement for your notes provides that the notes are redeemable at the date indicated in the pricing supplement. If the pricing supplement provides that the notes are redeemable at the option of the holder, we also may be required to redeem the notes upon the occurrence of an event that prevailing interest rates are relatively low when we choose or are required to redeem the notes. Redemption proceeds in a comparable security with a yield as high as that on the notes being redeemed at the maturity date may affect the market value of the notes at any time when the notes are redeemed.

**If the Notes you Purchase are Floating Rate Notes, you may be subject to interest rate risk**

Because the interest rate on floating rate notes will be indexed to an external interest rate, there will be significant risks not associated with a conventional fixed rate debt security. These risks include the possibility that, in the future, you will receive a lesser amount of interest. We have not predicted the future interest rates, including economic, financial and political events that are important in determining interest rates. In recent years, interest rates have been volatile, and volatility may continue.

**If the Floating Rate Notes you Purchase are Subject to a Floor**

If the applicable pricing supplement specifies that your floating rate notes are subject to a floor, the interest that will accrue on the floating rate notes during any interest reset period will never exceed the applicable rate of interest will always be greater than the applicable rate of interest.

is specified in the applicable pricing supplement, we cannot assure you that t

**Holders of Indexed Notes are Subject to Important Risks that are n**

If you invest in indexed notes, you will be subject to significant risks not as securities. These risks include the possibility that the particular index or indices may be will receive a lower, or no, amount of principal, premium, or interest, and at different tim have been volatile, and this volatility may be expected in the future. However, past exp the future. We have no control over a number of matters, including economic, financial, existence, magnitude, and longevity of these risks and their impact on the value of, or pay risks that you should consider in conn

**You may lose some or all of your principal.** The principal amo protected." This means that the principal amount you will receive at m index

**Your yield may be less than the yield on a conventional d** investment in an indexed note (whether or not the principal amount earn if you purchased a conventional debt

**The existence of a multiplier or leverage factor may result in the** may have interest and principal payments that increase or decrease movement in the indexed item. This is referred to as a multipl principal or interest index wil

**Payment on the indexed note prior to maturity may result i** indexed note may require that the indexed note be paid prior to its your anticipated return. In addition, you may not be able to inv

**The United States federal income tax consequences of t** administrative authority directly addresses the characterization of f for United States federal income tax purposes. As a result, signif investment in the indexed notes are not certain. We are not request for any of the indexed notes and we give no assurance that the supplement

**Your investment return may be less than a comparable direct inv that invests in those stocks.** A direct investment in the stocks in would allow you to receive the full benefit of any appreciation in

**Hedging Activities may Affect Your Investment**

Hedging activities also may affect trading in the notes. We and our affiliates may trade with an offering of the notes. This hedging activity may affect the value of the notes in the market. In addition, we or our affiliates may acquire a long or short position in the notes. Our affiliates may engage in hedging activity related to the indexed notes or to a component of the notes. A portion of these positions may be liquidated at or about the time of the maturity date of the notes. These positions are likely to vary over time. We have no reason to believe that our activities will affect the value of the notes. However, we cannot assure you that our activities or the activities of our affiliates will not affect the value of the notes.

**Changes in Our Credit Ratings**

Our credit ratings are an assessment of our ability to pay our obligations. Consequently, our credit ratings, as well as our financial condition or results of operations may significantly affect the trading price of the notes. The value of the notes depends upon factors in addition to our ability to pay our obligations, an improvement in our credit ratings or operations will increase the value of the notes.

**Changes in Exchange Rates and Exchange Controls**

An investment in notes that are denominated in a specified currency other than US dollars is subject to exchange rate risks which are determined by reference to a currency or currency index or indices, or to a basket of currencies, or to an investment in a security denominated in US dollars. Risks include, without limitation, fluctuations in the value of the exchange rate between the US dollar and the various foreign currencies or composite currencies and the imposition of exchange controls by either the United States or foreign governments. These risks generally result from changes in exchange rates as a result of economic and political events or the supply of and demand for the relevant currencies. Exchange rates and certain foreign currencies have been highly volatile and such volatility may be expected to continue. Exchange rates that have occurred in the past are not necessarily indicative, however, of fluctuations in exchange rates in the future. Depreciation of a specified currency other than US dollars against the US dollar could result in a decrease in the value of its coupon rate, and in certain circumstances, a decrease in the value of the notes.

Governments have imposed, and may in the future impose, exchange controls that restrict the availability of a specified foreign currency for making payments with respect to a note. There can be no assurance that payments in any such currency or currency unit. Even if there are no actual exchange controls, the availability of a particular note would not be available to make payments when due. In that event, we will pay the principal and interest on the note at the recently available exchange rate. See "Exchange Rate Risk" for more information.

**The Unavailability of US Dollars**

Currently, there are limited facilities in the United States for currency conversion.

savings account facilities in the United States. Accordingly, payments on notes made from an account with a bank located in the country issuing the specified currency. As a result, payments on notes denominated in a specified currency will be converted into US dollars on a timely basis or at all. See "Description of the Notes" for more information. For notes denominated in a specified currency other than US dollars, the exchange rate of the specified currency into US dollars will be the rate of exchange of the specified currency into US dollars as of the date of the payment, of the country issuing the specified currency.

#### **Judgments in a Foreign Court**

The notes will be governed by and construed in accordance with the laws of the United States. If a judgment is rendered in a court in the United States, it is likely that such court would grant judgment in favor of the issuer. However, if a judgment is rendered in a court in a foreign country, the rate of conversion into US dollars will be the rate of exchange of the foreign currency into US dollars as of the date judgment is rendered or some other date. New York statutory law provides, however, that the rate of conversion into US dollars will be the rate of exchange of the foreign currency of the underlying obligation and that the judgment or decree shall be converted into US dollars as of the date of entry of the judgment. Therefore, the exchange rate on the date of the judgment will be used to convert the judgment into US dollars.

**Please note, this prospectus supplement, the attached prospectus and the applicable pricing supplement describe the risks of an investment in notes denominated in a specified currency other than US dollars, which are determined by reference to a currency, currency index or indices, equity index or indices, or other formula or measure. These notes are not suitable for investors who are not sophisticated with respect to financial investments.**

Except as set forth under "Certain US Federal Income Tax Considerations," the information in this prospectus supplement is not intended to provide information to prospective purchasers who are US residents, and we disclaim any responsibility to advise prospective purchasers who are not US residents, with respect to any matters that may affect the purchase, holding or disposition of the notes (including, but not limited to, any tax consequences) and any interest with respect to the notes. These persons should consult their own tax advisors.

#### **PRICING SUPPLEMENT**

The pricing supplement for each offering of notes will contain the specific information regarding the offering. The pricing supplement may also add, update or change information contained in this prospectus supplement, including any changes in the method of calculating interest on any note, and you should rely on the information in the pricing supplement. It is important that you consider all of the information in the pricing supplement and the prospectus supplement.

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**DESCRIPTION OF NOTES**

The following terms apply to each note unless otherwise specified in the applicable prospectus supplement.

index or other formulas on which

We will issue notes under an indenture, dated as of May 31, 1991, as amended, by and between Applied Biosystems Inc. and Chase Manhattan Bank, N.A. (Chase Manhattan Bank), as Trustee, that is more fully described in the accompanying prospectus supplement and the prospectus supplement for the securities that are issuable under the indenture. For a description of the rights attaching to the notes, see the prospectus supplement "Description of Debt Securities" of Debt Securities" in the accompanying prospectus. This description and the accompanying prospectus are summaries and do not restate the indenture. We urge you to read the indenture, as amended, and the prospectus supplement filed with the SEC because they, and not this description or the one in the accompanying prospectus, contain the complete terms of the notes.

"Where You Can Find More Information" in the accompanying prospectus supplement.

The notes are limited in amount as described on the cover page of this prospectus supplement. The total amount of notes issued under the indenture, including any notes issued in connection with the public offering price of any other securities we may issue in the future, including any notes issued in connection with the public offering price of any other securities we may issue in the future, will not exceed the amount stated in the prospectus supplement. Under the indenture, we may issue additional notes without obtaining your consent or the consent of holders of the notes. You should read this prospectus supplement without obtaining your consent or the consent of holders of the notes. For current information on our outstanding debt, see the prospectus supplement. Securities may differ as to their terms. For current information on our outstanding debt, see the prospectus supplement.

We will offer the notes on a continuous basis at various times. The notes will mature on the date specified in the prospectus supplement. Notes issued and before maturity may be subject to redemption at our option or repayment at the option of the holder. For more information, see the prospectus supplement. Each note will be denominated in either US dollars or in another currency that we may specify in the prospectus supplement.

You will be required to pay for any notes you purchase by delivery of the requisite amount of cash or by wire transfer if the necessary arrangements have been made. Payments should be made in the specified currency in the prospectus supplement. In your election and, in certain circumstances, at our option, payments on notes denominated in a currency other than US dollars may be made in US dollars. For more information, see the prospectus supplement. "Risk Factors The Unavailability of Currencies Could Result in a Substantial Reduction of the Value of the Notes"

US dollar-denominated notes will be issued in minimum denominations of US \$1,000. Notes denominated in a currency other than US dollars will be issued in the amount of the specified currency equal to the amount of US \$1,000, as determined by reference to the noon buying rate in New York City for the currency in question as published in The Wall Street Journal on the day preceding the date of issue of the notes.

certified for customs purposes by the Federal Reserve Bank of New York for that issuance or, if that exchange rate is not available, then on the basis of the most recently available exchange rate. We may also specify other authorities.

We may issue the notes as currency indexed notes, the principal amount of which will be determined by reference to the principal amount of the notes and any premium or other amounts payable with respect to which will be determined by reference to the principal amount of the notes, or by reference to a currency denominated in another currency or composite currency or by reference to any other index.

We may also issue the notes as indexed notes, the principal amount of which is payable in U.S. dollars, and any premium or other amounts payable with respect to which will be determined by reference to the principal amount of the notes, securities, commodities or indices on certain specified dates, or by some other financial instrument.

The notes are unsecured and will rank equally with all of our unsecured and unsubordinated debt under the indenture. Because we are a holding company, the notes will be effectively unsecured.

As of the end of the period covered by this report, we had outstanding (on an unconsolidated basis) approximately \$36.2 billion of unsecured senior debt.

Our subsidiaries had outstanding (after elimination of inter-company obligations) approximately \$55.8 billion related to securities sold under repurchase agreements with customers, \$28.0 billion related to financial instruments sold, and \$1.0 billion related to other obligations.

The notes will not have a sinking fund.

Unless otherwise set forth in the applicable pricing supplement, each note will be a global security registered in the name of The Depository Trust Company or its nominee. If the notes are issued as global securities, DTC or its nominee will be considered the sole owner or holder of the notes for all purposes under the indenture. See "Book-Entry Procedures" in the indenture.

We may issue the notes as exchangeable notes.

Exchangeable notes may be issued in the form of securities, or cash representing the securities.

Exchangeable notes may be issued in any combination of the above options.

Exchangeable notes may bear interest or be issued with original issue discount.

Under the terms of the indenture, we may defease the notes. See "Description of Debt" in the indenture.



In the following discussion, any time we refer to paying principal on the notes, all times are New York City time unless otherwise noted. The following terms may be defined in the applicable pricing supplement. We have provided the definitions of certain capitalized

The applicable pricing supplement will detail whether your principal investment

Principal protected means that, if held to maturity, your principal investment is guaranteed at maturity,

Possible principal protection means that only under certain circumstances will your principal investment be guaranteed only if, the specific circumstances in the applicable pricing supplement are met and if the specific circumstances in the notes is guaranteed and will not be at risk of loss. If the specific circumstances in the applicable pricing supplement investment may result in a loss

If your principal investment is not principal protected, then there is no fixed repayment of principal. If your principal investment is not principal protected, there may be a loss as there is no guaranteed return of principal, and at maturity, the amount of principal repaid may be less than the amount of principal invested

We have provided a Glossary at the end of this prospectus supplement to define certain terms used in this prospectus supplement.

The interest rate on the notes will be either fixed or floating. The interest paid will be based on the applicable pricing supplement but excluding, the relevant interest payment date, maturity date, redemption date or repayment date and upon maturity, redemption or repayment. Interest will be paid to the person in whose name the notes are registered on the record date before each interest payment date, which in the case of global securities will be the depository or its nominee. However, interest payable upon maturity, redemption or repayment will be paid to the person in whose name the notes are registered in the case of global securities representing book-entry notes will be the depository or its nominee. Interest payable between a record date and an interest payment date will be made by check or wire transfer to the person in whose name the notes are registered on the record date before the interest payment date.

The applicable pricing supplement will designate the fixed rate of interest payable on the notes. In the case of a fixed rate note issued with original issue discount, each fixed rate note will be issued at a discount to its face value. The applicable pricing supplement will specify the fixed rate of interest payable per year stated on its face until the principal is paid or made available for payment. In the case of a floating rate note, the applicable pricing supplement will specify the floating rate of interest payable on the notes as specified in the applicable pricing supplement.

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The record dates for fixed rate notes will be 15 calendar days before the interest payment date, unless otherwise specified in the applicable pricing supplement. Interest will be computed on the basis of a 360-day year. In the event that any interest payment date, maturity date, redemption date or repayment date is a business day, payment of principal, premium, if any, or interest will be made on the next succeeding business day. If an applicable pricing supplement, no interest shall accrue for the period from and after the date of such payment. repa

The interest rate on a floating rate note will be calculated by reference to the specific rate specified in the applicable pricing supplement. The spread is the number of basis points specified in the applicable pricing supplement to be added to the interest rate for the floating rate note and may be a fixed amount or an amount

In addition to any spread, the applicable pricing supplement will also indicate any other applicable terms.

The applicable pricing supplement also



On your request, the Calculation Agent will provide you with the current interest rate

The interest rate on floating rate notes may be reset daily, weekly, monthly, quarterly or semiannually, as specified in the applicable pricing supplement. Unless otherwise set forth in the applicable pricing supplement,

for notes (other than Treasury Rate notes),

for Treasury Rate notes,

for notes which reset daily,

for notes which reset weekly, the first day of the month,

for notes which reset monthly, the first day of the month,

for notes which reset quarterly, the third Wednesday of the quarter,

The initial interest rate or interest rate formula effective until the first Interest Reset Date is:

After the first Interest Reset Date, the interest rate will be the rate determined on the next Interest Reset Date. Each time a new interest rate is determined it will become effective on the next Interest Reset Date. No changes will be made in the interest rate during the 10 days before the date of maturity. For notes with daily interest reset, the applicable pricing supplement, the interest rate for notes with daily interest reset will be the applicable pricing supplement, the interest rate for notes with daily interest reset before the maturity date. Unless otherwise specified in the applicable pricing supplement, the interest rate will be changed until the Interest Reset Date immediately before the maturity date. If any Interest Reset Date will be postponed to the next Business Day. However, in the case of a LIBOR note, the Interest Reset Date will be the next Business Day.

In the case of weekly reset Treasury Rate notes, if an auction of Treasury bills falls on a day other than the Interest Reset Date, the Interest Reset Date will be the next Business Day.

Unless otherwise specified in the applicable pricing supplement, the interest rate for notes which reset weekly will be the

for the Commercial Paper Rate and Federal Funds (Effective Rate),

for LIBOR, the selected rate,

for the Treasury Rate, the day of the week in which the Interest Reset Date is auctioned. Treasury bills are usually sold at auction on Monday of each week.



following Tuesday, unless the auction may be held on the preceding Friday will be the Interest Determination Date pertaining

for the Prime Rate and Federal Funds

for a CMT Rate n

Unless otherwise specified in the

for notes which reset daily, weekly or monthly, on the third Wednesday, June, September and December of each year, as

for notes which reset quarterly, on the third Wednesday

for notes which reset semiannually, on the third Wednesday

for notes which reset annually, on the third Wednesday of the month

If any interest payment date, maturity date, redemption date or repayment date, payment of principal, premium, if any, or interest will be postponed to the next Business Day, pricing supplement, no additional interest shall accrue for the period from and after the repayment date, as the case may be, to the next Business Day. However, for LIBOR notes, principal, premium, if any, or interest will be paid on the preceding Business Day, provided

For floating rate notes, the record date will be 15 calendar days before each interest payment date, unless

Unless otherwise specified in the applicable pricing supplement, interest payments will be made on the prior interest payment date in respect of which interest has been paid (or from, and after, the prior interest payment date, if any, interest has been paid), to, but excluding, the interest payment date. If the interest payment date is also a maturity date, interest accrued to, but excluding

Accrued interest from the date of original issue or from the last date to which interest has been paid, will be calculated as a percentage of the amount of the floating rate note by an accrued interest factor. The accrued interest factor will be calculated as the number of days from each day from the date of issue, or from the last date to which interest has been paid, to the interest payment date, multiplied by the interest factor (expressed as a decimal calculated to seven decimal places without rounding) and divided by the rate applicable to that day by 360, in the case of Commercial Paper Rate notes, Federal Funds Rate notes, and the actual number of

respect to CMT Rate notes, interest is calculated

All percentages resulting from any calculation on floating rate notes will be rounded to the nearest percentage point, with five one-millionths of a percentage point rounded upward (e.g., 6.0687655% and 6.876544% (or .06876544) being rounded to 6.87654% (or .06876544)). All calculations will be rounded to the nearest percentage point.

Unless otherwise specified in the applicable pricing supplement, the Calculation Agent shall be the earlier of (a) the tenth calendar day after the Interest Determination Date or, if that date is not a Business Day before the applicable interest payment date, maturity date, redemption date or other date (formerly, The Chase Manhattan Bank) will be the Calculation Agent with respect to the determination of the interest rate then in effect, and, if different, the interest rate that would have been in effect on the most recent Business Day before the applicable interest payment date, maturity date, redemption date or other date.

In addition to any maximum interest rate for any floating rate note, the interest rate shall not exceed the maximum rate permitted by New York law, as modified by federal law. Current New York law limits the maximum interest rate to 6% per annum. This limit does not apply to interest on any floating rate note.

Each Commercial Paper Rate note will bear interest at the rate (calculated with respect to the applicable interest payment date) specified in the Commercial Paper Rate note.

Unless otherwise specified in the applicable pricing supplement, the Commercial Paper Rate note shall bear interest at the rate (calculated with respect to the applicable interest payment date) of the Money Market Yield (as set forth and calculated in the Glossary section of the applicable pricing supplement) for commercial paper having the Index Maturity specified in the applicable pricing supplement. If the rate is not published in H.15(519) on the Calculation Date, the rate shall be based on the rate on the Interest Determination Date as published in H.15 Daily Money Market Yield, displaying that rate.

If neither of the rates described above is published on the Calculation Date, then the rate shall be the arithmetic mean of the offered rates, as of 11:00 a.m. on the Interest Determination Date, of the three dealers selected by the Calculation Agent for commercial paper of the specified Index Maturity and credit rating is "AA," or the highest rating available.

If the three dealers selected are not quoting as mentioned above, the Commercial Paper Rate note shall bear interest at the rate (calculated with respect to the applicable interest payment date) of the Money Market Yield (as set forth and calculated in the Glossary section of the applicable pricing supplement) for commercial paper having the Index Maturity specified in the applicable pricing supplement.





Date that is published in H.15 Daily Update or any other recognized electronic source.

Unless otherwise specified in the applicable pricing supplement, the Federal Funds (Effective) Rate on the Interest Determination Date, the rate on that day for Federal Funds as reported on the H.15 Daily Update.

If (1) the applicable Federal Funds (Effective) Rate described above or (2) the Federal Funds (Effective) Rate on the Interest Determination Date is not available, the Federal Funds (Effective) Rate will be the rate calculated by the Calculation Agent as the arithmetic mean of the rates for the last transaction reported by the brokers of Federal Funds transactions in New York City selected by the Calculation Agent.

If the brokers that are selected by the Calculation Agent are not quoting, the interest rate will be the rate on the Interest Determination Date.

Each Treasury Rate note will bear interest at the rate (calculated with reference to the Treasury Rate) on the Interest Determination Date.

Unless otherwise specified in the applicable pricing supplement, the Treasury Rate means the rate for the most recent auction of Treasury bills, direct obligations of the United States Treasury Department, as published in the applicable pricing supplement as published under the column designated "Invest Rate" on Telerate page 5 under the heading "Results" or Telerate page 5 under the heading "Telerate page 5".

If the Treasury Rate cannot be set as described above on the Calculation Date, the rate will be the rate on the Interest Determination Date.

The rate will be the auction average rate (expressed as a bond equivalent yield) on the Interest Determination Date, if applicable, and applied on a daily basis) as otherwise applicable.

If the results of the auction of Treasury bills having the specified Interest Determination Date are not available on the Calculation Date, or if no such auction is held in a particular day, the rate will be the rate calculated by the Calculation Agent and will be a yield to maturity (expressed as a bond equivalent yield) on the Interest Determination Date, of the arithmetic mean of the yields to maturity of the three leading primary US Treasury bills on the Interest Determination Date, of three leading primary US Treasury bills, as published in the applicable pricing supplement, for the issue of Treasury bills with a maturity of 182 days.

Finally, if the dealers are not quoting as mentioned above, the rate will be the rate on the Interest Determination Date.

Each Prime Rate note will bear interest at the rate (calculated with reference to the Prime Rate) on the Interest Determination Date.

Unless otherwise specified in the applicable pricing supplement, Prime Rate means, the rate set forth for that date on Telerate page 5 under the heading "Bank Rate/Prime" or the applicable pricing supplement.

If the Prime Rate cannot be se

If the applicable rate is not published in H.15(519) or on Telerate Prime Rate will be the arithmetic mean of the rates of interest published on the Reuters Screen NYMF Page on such Interest Determination Date as such

If fewer than four rates appear on the Reuters Screen NYMF Page, the Prime Rate will be the arithmetic mean of the rates of interest published on the Reuters Screen NYMF Page quoted on the basis of the actual number of days in the year ending on the Interest Determination Date by at least two of the three major money center banks

If fewer than two quotations are provided, the Calculation Agent will determine the Prime Rate on the basis of the prime rates in New York City by the appropriate number of banks doing business under the laws of the United States, or any state or territory with a population of \$500 million and being subject to supervision or examination by federal

If in any month or two consecutive months, the Prime Rate is not published on the Reuters Screen NYMF Page, the trust companies selected are not quoting as mentioned in (3) above, then the Prime Rate will be the same as the Prime Rate for the immediately preceding Interest Determination Date. If the Prime Rate is not published on the Reuters Screen NYMF Page on the Interest Determination Date, the Prime Rate will be the rate of interest payable on the Prime Rate notes for which the Prime Rate is determined

If this failure continues over three or more consecutive months, the Prime Rate will be the rate of interest payable on the maturity or redemption of such Prime Rate notes or, if earlier, until this failure ceases, shall be the rate of interest payable on LIBOR notes, and the spread, if any, will be the number of basis points specified in the applicable pricing supplement

Each CMT Rate note will bear interest at the rate (calculated with reference to the CMT Rate) as follows:

Unless otherwise specified in the applicable pricing supplement, the CMT Rate will be the rate of interest displayed on the designated CMT Telerate Page, under the caption "... Treasury Constant Maturity Rate," as of the date of the Interest Determination Date, Monday, approximately 3:45 p.m., under the heading "Treasury Constant Maturity Rate,"

the latest rate displayed at the close of business on such Interest Determination Date

the average for the week, or the month, as specified in the applicable pricing supplement, of the rates of interest displayed on the designated CMT Telerate Page in which the related Interest Determination Date occurs

If the CMT Rate cannot be se

If the applicable rate described above is not displayed on the designated CMT Telerate Page on the Calculation Date, unless the calculation is made earlier and the rate is displayed on the designated CMT Telerate Page on the Calculation Date, then the CMT Rate will be the Treasury constant maturity rate of interest published in H.15(519) or an



If the applicable rate described above is not published in H.15(519) or is not available by 3:00 p.m., New York City time on that Calculation Date, unless the rate is obtained from one of those sources at that time, then the CMT Rate will be the Treasury rate, for the Index Maturity and with reference to the relevant source, as published by the Board of Governors of the Federal Reserve System or the United States Treasury. The Calculation Agent determines to be comparable to the rate formerly displayed.

If the rate described in the prior paragraph cannot be determined, then the CMT Rate will be a yield to maturity based on the average of the secondary market quotations, as reported by the Calculation Agent by 3:00 p.m., New York City time, on the relevant Interest Determination Date reported, as published by leading primary United States government securities dealers in New York City. The Calculation Agent will, after consulting with us, and will eliminate the highest quotation (or, in the event of equality, one of the lowest), for the most liquid Treasury Note of the United States Treasury ("Treasury Notes") with an original maturity as close as possible to a remaining term to maturity of not less than the designated Index Maturity. If the Calculation Agent determines that Treasury Notes with an original maturity as described above have not been offered, then the Calculation Agent will determine the CMT Rate to be the yield to maturity based on the average of the offered rates for Treasury Notes with an original maturity longer than the designated CMT Index Maturity and with a remaining term to maturity closest to the designated CMT Index Maturity, as published by leading primary United States government securities dealers in New York City. In selecting these offered rates, the Calculation Agent will, after consulting with us, and will disregard the highest quotation (or if there is equality, one of the lowest). If two Treasury Notes with an original maturity as described above have remaining terms to maturity that are both longer than the designated CMT Index Maturity, then the Calculation Agent will obtain quotations for the Treasury Notes with the longest remaining term to maturity.

If the Calculation Agent cannot obtain three Treasury Notes with an original maturity as described above, then the Calculation Agent will determine the CMT Rate to be the yield to maturity based on the average of the offered rates for Treasury Notes with an original maturity longer than the designated CMT Index Maturity and with a remaining term to maturity closest to the designated CMT Index Maturity, as published by leading primary United States government securities dealers in New York City. In selecting these offered rates, the Calculation Agent will, after consulting with us, and will disregard the highest quotation (or if there is equality, one of the lowest). If two Treasury Notes with an original maturity as described above have remaining terms to maturity that are both longer than the designated CMT Index Maturity, then the Calculation Agent will obtain quotations for the Treasury Notes with the longest remaining term to maturity.

If fewer than five but more than two of the leading primary United States government securities dealers in New York City described in the prior paragraph, then the CMT Rate for the relevant Interest Determination Date will be the average of the offered rates obtained, and neither the highest nor the lowest offered rate.

If two or fewer leading primary United States government securities dealers in New York City described above, the CMT Rate will remain the CMT Rate determined in the prior paragraph.

Any floating rate note may be designated in the applicable pricing supplement or otherwise specified in the applicable pricing supplement, the interest rate on the floating rate note will be the CMT Rate for the relevant Interest Determination Date.

determined based on a rate specified in the applicable pricing supplement.

We may offer notes the principal amounts of which are payable at or before maturity, and any premium payable with respect to which are determined by the rate of exchange between the indexed currency or currencies specified as the indexed currency or by reference to some other measure.

Unless otherwise specified in the applicable pricing supplement, you will be entitled to receive the principal amount of the currency indexed note exceeding the amount designated as the face amount of the note, if, at the stated maturity date, the rate at which the specified currency can be exchanged for the indexed currency, as determined by the rate of exchange designated as the base exchange rate, which is expressed in units of the indexed currency, is greater than the rate of exchange specified in the applicable pricing supplement. You will only be entitled to receive a principal amount less than the face amount of currency indexed notes, if, at the stated maturity date, the rate at which the specified currency can be exchanged for the indexed currency is less than the base exchange rate, in each case determined by reference to the applicable pricing supplement.

The applicable pricing supplement will set forth information as to the relative historical volatility of the indexed currency, any currency and/or exchange controls applicable to the specified currency, and the potential consequences to holders. See "Risk Factors - Changes in Exchange Rates and Exchange Controls."

Unless otherwise specified in the applicable pricing supplement, we will pay interest on the principal amount of the currency indexed notes and at the rate and times and in the manner set forth in the applicable pricing supplement.

We may issue indexed notes, in which the amount of principal, or any premium, or any interest, or any other amounts payable, is determined by reference to the rate of exchange between the indexed currency and the base exchange rate, or by reference to any other financial, economic or other measures or instruments, in each case determined by reference to the applicable pricing supplement.

any other financial, economic or other measures or instruments, in each case determined by reference to the applicable pricing supplement.

The applicable pricing supplement relating to these other indexed notes will set forth the method by and the terms on which we will pay interest on the principal amount of the indexed notes and at the rate and times and in the manner set forth in the applicable pricing supplement.

the method by and the terms on which we will pay interest on the principal amount of the indexed notes and at the rate and times and in the manner set forth in the applicable pricing supplement.

the amount of any interest, premium or other amounts we will pay on the principal amount of the indexed notes and at the rate and times and in the manner set forth in the applicable pricing supplement.

whether your notes will be exchangeable for or payable

add

a description of certain additional risks associated with investment i

See "Risk Factors Holders of Indexed Notes are Subject to Important Risks that a

We may issue original issue discount notes, including zero coupon notes, which issued at a price lower than their principal amount or lower than their minimum repayment bear no interest or may bear interest at a rate that is below market rates at the time of payments, interest normally accrues during the life of the notes and is paid at the maturity. acceleration of the maturity of an original issue discount note, the amount of interest payable on the note as described in the applicable pricing supplement. That amount is normally less than

Fee

Unless otherwise specified in the applicable pricing supplement, we will pay principal on all notes in the applicable specified currency. However, payments on notes denominated in US dollars as described below, unless

Except as provided in the next paragraph, we will pay principal and premium, in a currency other than US dollars in US dollars if the registered noteholder on the relevant record date or 15 days before maturity, as the case may be. The request may be made in any other form of facsimile transmission. Any request made will remain in effect with respect to the note and any interest with respect to the note payable to such holder unless the request is revoked at maturity, as the case may be. Please note that holders of notes denominated in a specified currency in the name of a broker or nominee should contact that broker or nominee to determine

The US dollar amount to be paid to a holder of a note denominated in a specified currency in payment in US dollars will be based on the highest bid quotation in New York City received on the second Business Day before the applicable payment date from three recognized foreign exchange dealers (or their Agent) for the purchase by the quoting dealer of the specified currency for US dollars for the amount of the specified currency payable to all noteholders electing to receive US dollar payments under the contract. If three bid quotations are not available on the second Business Day before the c

associated with any payment in US dollars on notes denominated in specified currencies

Interest will be payable to the person in whose name a note is registered, which nominee, at the close of business on the record date before each interest payment date. If the registered holder is not the person to whom principal shall be payable, which in the case

The total amount of any principal (and premium, if any) and any interest due on any interest payment date or at maturity will be made available to the Trustee on such date. The Trustee will make such payments to the depository. The depository will allocate the payments to each holder of such global security in accordance with its existing obligations of responsibility or liability for the payments by the depository. So long as the depository or its nominee, as the case may be, will be considered the sole holder of such global security for all purposes under the indenture. We understand, however, that under the indenture, the Trustee, or its agents, persons on whose behalf it holds a global security to exercise certain rights of holders of such

Payments of principal (and premium, if any) and any interest with respect to a note will be made by wire transfer to an account maintained by the noteholder with a bank in the United States. Payments may also be made to the noteholder's account in another jurisdiction to be designated by the registered noteholder on the relevant record date or at maturity, as the case may be, on or before the interest payment date or 15 days before maturity, as the case may be, if the designation is presented to the Paying Agent in time for the Paying Agent to pay to that account in accordance with the indenture. Such designation, unless revoked in writing, will remain in effect with respect to

If payment cannot be made by wire transfer because the Trustee has not received the designation or for any other reason, a notice will be mailed to the noteholder at its registered address requesting that the noteholder designate an account in the United States. If the noteholder does not designate an account, and, within five Business Days of receiving this designation, the Trustee will make the payment to the account designated by the Trustee. The Trustee will not be responsible for any charges or taxes imposed by banks in connection with making payments by wire transfer, however, except for any taxes, assessments or governmental charges imposed on payments with respect to

If the official unit of any component currency is changed as a result of combination of two or more component currencies, the amount of that component shall be divided or multiplied in the same proportion. If two or more component currencies are combined into a single consolidated component currency, the amounts of those currencies as components shall be replaced by an amount in such consolidated component currencies expressed in that single currency. If any component currency is replaced by a single currency of that currency as a component shall be replaced by amounts of those two or more component currencies in the same proportion as the division equal to

Notes denominated in a specified currency other than US dollars will provide that,

immediately following the redenomination to provide for payment of that amount of the principal of such obligations of such obligations.

All determinations set forth above to be made by the Calculation Agent and the Exchange Agent, as set forth in the applicable pricing supplement or the applicable pricing supplement, shall be conclusive for all purposes in the absence of manifest error, and the Calculation Agent and the Exchange Agent shall not be liable for any such determination.

*At our option in the case of an imposition of exchange controls*

If the principal of (and premium, if any) or interest on any note is payable in a currency that is not available due to the imposition of exchange controls or other restrictions of the government of the country issuing that currency or for settlement of transactions between the issuer and the community, we may make the requisite payments in US dollars on the basis of the note's specified currency as certified for customs purposes by the Federal Reserve Bank of New York on the day before the applicable payment date or, if that exchange rate is not available, then on the applicable payment date.

We may offer notes that are exchangeable at your option for securities, or cash or a combination thereof, with us; a basket of these securities; an index or indices of these securities or any combination thereof; or the applicable pricing supplement. Exchangeable notes may bear interest or be issued with a floating rate.

Unless otherwise specified in the applicable pricing supplement, exchangeable notes may be redeemed, at your option, at any time, to exchange your note for the underlying security or securities constituting the relevant basket, index or indices or the cash value of the underlying security or securities (or a combination of these alternatives) at a specified rate of exchange. If so specified in the applicable pricing supplement, the note will be redeemable at our option before maturity. If you do not elect to exchange your exchangeable note for the underlying security or securities at the time of redemption, you will receive the principal amount of the note.

Upon exchange, at maturity or otherwise, of your exchangeable note, you may receive the underlying security or the securities constituting the relevant basket, index or indices or the cash value of the underlying security or securities specified in the applicable pricing supplement. The underlying security or securities constitute either US or foreign entities, or both, and the exchangeable notes may provide for protection against fluctuations in the currency in which that note is denominated and the currency or currencies in which the underlying security or securities are quoted, all as may be specified in the applicable pricing supplement. Exchangeable notes may be issued with a floating rate.

We may "reopen" certain issues at any time by offering additional notes with terms and conditions similar to those of the original issue.



The applicable pricing supplement will indicate whether we may extend the maturity

We may exercise our option to extend a note's maturity date by notifying the Trustee of the original maturity date that is in effect before we exercised our option. No later than 55 days prior to each note's

in the case of a fixed rate note, the interest rate that will apply to the note, the interest rate spread, the new Interest Reset Date(s), if any, and the new interest rate

the provisions, if any,

Once the Trustee has mailed the extension notice to the noteholder, the note's maturity date will be modified by the extension notice or as described in the next paragraph, the note will

Notwithstanding the foregoing, no later than 20 days before a note's original maturity date, in the case of a fixed rate note, or the spread, in the case of a floating rate note, provided for in the applicable pricing supplement, we may cause the note to bear a higher spread, as the case may be, for the extension period. We may do so by causing the note to bear a higher interest rate or higher spread, as the case may be, to the noteholder. The note's maturity date is extended will bear the higher interest rate or higher spread, as the case may be.

If we extend the maturity date of a note, the holder of such note may have the option to redeem the note on the maturity date at a price equal to the principal amount of the note plus any accrued interest to such date. If you exercise this option, you must follow the procedures set forth under "Repayment and Redemption." The delivery of such note or notification to the Trustee shall be at least 25 but not more than 30 days prior to the maturity date. A noteholder who has tendered a note for repayment pursuant to an extension notice may, but is not required to, make repayment until the close of business on the maturity date.

We may offer notes the maturity of which may be renewed at your option for one or more periods of up to the maturity of the notes. The specific terms for such extensions, including the date or dates when the option can be exercised with respect to some but not all of the notes' outstanding principal

Unless otherwise stated in the applicable pricing supplement, the notes will not have a sinking fund. The time of sale and stated in the applicable pricing supplement and on the applicable note. The note will not be redeemable before it matures. We may redeem notes at our option if the applicable pricing supplement permits redemption. Unless otherwise specified in the applicable pricing supplement, the notes will not be redeemable before they mature.



increments of \$1,000 at a redemption price equal to 100% of the principal amount of the note as of the redemption date, by giving notice not more than 90 days before the redemption date.

Optional repayment dates will be set at the time of sale and set forth in the applicable pricing supplement provided under "Extension of Maturity Date," if no optional repayment date is indicated in the applicable pricing supplement.

If the applicable pricing supplement permits, you may cause us to repay your notes in whole or in part. If the applicable pricing supplement, we may be required to repay your notes in whole or in part if the principal amount of the note is at least \$25,000. The repayment price will be equal to the principal amount of the note plus any accrued interest.

Unless otherwise specified in the applicable pricing supplement, for any note to be repaid, you must deliver to the Trustee not less than 30 nor more than 60 days before the optional repayment date:

the note to be repaid with the form entitled "Option to Elect Repayment";

a telegram, telex, facsimile transmission or a letter from a member of the National Association of Securities Dealers, Inc. or a comparable organization;

the certificate number of the note to be repaid;

a statement of the applicable pricing supplement;

a guarantee that the note to be repaid, along with the form entitled "Option to Elect Repayment," received by the Trustee no later than 5 Business Days after the date of the exercise of the repayment option.

The Trustee must receive the note and duly completed form entitled "Option to Elect Repayment" by telegram, telex, facsimile transmission or letter. The exercise of the repayment option will be deemed to occur on the date the Trustee receives the note and the duly completed form.

If your note is represented by a global security, the depository's nominee will be deemed to exercise a right to repayment. To ensure that the depository's nominee will timely exercise a right to repayment, you must instruct the broker, or other direct or indirect participant through whom you hold the global security, you must instruct the broker, or other direct or indirect participant through whom you hold the global security, your desire to exercise a right to repayment. To ascertain the time by which you must instruct the broker, or other direct or indirect participant through whom you hold the global security, you should consult the broker or other direct or indirect participant through whom you hold the global security.

The applicable pricing supplement may provide that the maturity of a floating rate note will be automatically extended unless you elect during a designated period to terminate the automatic extension of the maturity date.

At any time, we may buy the notes at any price in the open market or otherwise, and we may redeem the notes at a discount to their principal amount.



**CERTAIN US FEDERAL INCOME TAX CONSEQUENCES**

The following discussion summarizes certain US federal income tax consequences of the purchase of the notes. Except as provided below under "Federal Income Tax Consequences to Non-US Investors,"

an individual who is a citizen or resident of the United States

a corporation (or other entity that is treated as a corporation for US federal income tax purposes) organized under the laws of the United States

an estate whose income is subject to US federal income tax

a trust if a court within the United States is able to exercise primary supervision over the trust and US States persons have the authority to compel the trustee to administer the trust primarily for the benefit of US residents

If a partnership (or other entity that is treated as a partnership for US federal tax purposes) is a partner in the partnership will generally depend upon the status of the partner and upon the nature of the partnership that is a partnership, and partners in such a partnership, should consult their tax advisors regarding the tax consequences of investing in the notes.

An individual may, subject to certain exceptions, be deemed to be a resident of the United States if the individual is present in the United States for at least 31 days in the calendar year and for a total of at least 183 days during the current calendar year (counting for such purposes all of the days present in the current calendar year, all of the days present in the immediately preceding year, and one-third of the days present in the second immediately preceding year).

This discussion is based on interpretations of the Internal Revenue Code of 1986, as amended, and applicable Treasury Department regulations and decisions currently in effect (or in some cases proposed), all of which may be subject to change, retroactively and may adversely affect the federal income tax consequences described in this summary. This discussion does not discuss the tax consequences of a "conversion transaction" for federal income tax purposes, or as part of some other integrated transaction. This discussion does not discuss the tax consequences that may be relevant to particular investors or to investors subject to special rules for US corporations, banks, thrifts, other financial institutions, insurance companies, mutual funds, pension and profit-sharing organizations, retirement plans, real estate investment trusts, regulated investment companies, and other entities. This discussion does not discuss the tax consequences of electing mark to market treatment, investors whose functional currency is not the US dollar, investors who are former citizens or residents of the United States), and this summary does not discuss the tax consequences of investing in the notes in local taxing jurisdictions. Accordingly, prospective investors are urged to consult their tax advisors regarding the tax consequences of investing in the notes, as well as any consequences arising under the laws of the investor's home country.

The applicable pricing supplement may contain a further discussion of the special tax consequences of investing in the notes, including notes that may be convertible into or exercisable or exchangeable for securities, or cash representing the value of securities.

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notes having OID will generally be required to include in income increasing

The annual amount of OID includible in income by the initial US Holder of a note is the OID with respect to the note for each day on which the US Holder held the note during the accrual period. The amount of OID for each day is determined by allocating to each day in an "accrual period" the ratable portion of the total OID for the period. An "accrual period" means an interval of time with respect to which the accrual of OID is measured, and with respect to which each accrual period is no longer than one year and each scheduled payment of principal

The amount of

the product of the "adjusted issue price" of the note at the commencement of the

the amount of any qualified

The adjusted issue price of a note at the beginning of the first accrual period is its issue price and the amount of OID previously includible in the gross income of the US Holder (as described below), reduced by the amount of any payment other than a payment of principal during the interval between payments of qualified stated interest contains more than one accrual period. The amount of OID allocable to each accrual period at the end of the interval (including any qualified stated interest that is payable on the last day of the interval) is allocated on a *pro-rata* basis to each accrual period in the interval, and the amount of OID in the interval is increased by the amount of any qualified stated interest that has accrued during the interval but is payable until the end of the interval. The yield to maturity of a note is the yield to maturity of the note based on each accrual period properly adjusted for the length of the particular accrual period. If there is more than one initial and/or final accrual period(s), the amount of OID allocable to the initial period may be less than the amount of OID allocable to the final accrual period will always be the difference between the amount of qualified stated interest) and the adjusted

If (i) a portion of the initial purchase price of a note is attributable to pre-issuance accretion, (ii) the first payment of interest on the note is to be made within one year of the note's issue date, and (iii) the payment will equal the amount of the first stated interest payment, then the US Holder may compute the issue price of the note by subtracting the amount of the first stated interest payment from the amount of the first stated interest payment. The amount of the first stated interest payment will be treated as a return of the excluded pre-issuance accretion.

If a note (i) provides for an alternative payment schedule or schedules applicable to the note, (ii) the alternative payment schedule or schedules relating to payments of interest or of principal (other than a "remote" or "incidental" component) are known as of the issue date and (iii) one of such schedules is the yield and maturity of the note are generally determined by assuming that the payment schedule is the yield and maturity of the note.

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schedule that is significantly more likely than not to occur (other than because of a market condition described below under "Contingent Payment Features").

If a note provides for alternative payment schedules, the determination of whether a note is a variable rate debt instrument is made by analyzing each alternative payment schedule as if each schedule were the note's sole payment schedule, and the note is a variable rate debt instrument to the extent of the lowest fixed rate at which qualified stated interest would be payable.

For purposes of calculating the yield and maturity of a note subject to a call option, the yield on the note would be less than it would be if the option were not exercised, and the yield on the note would be more, than it would be if the option were not exercised. The inclusion of OID in the income of a US Holder whose note is subject to a put option or a call option. If any option that is presumed to be exercised is not in fact exercised, the note is treated as if the option were exercised on the date of presumed exercise for an amount equal to its adjusted issue price (including any unamortized OID) and the yield and maturity are redetermined for that date.

A note that qualifies as a "variable rate debt instrument" will be subject to the rules for a "variable rate debt instrument" described in the following section.

the issue price of the note does not exceed the total amount of noncontingent payments, including such principal payments and the lesser of (i) 15 percent or (ii) the present value of the debt instrument's term (or its weighted average term).

the note does not provide for any stated interest other than stated interest, a variable rate which is (i) one or more "qualified floating rates," (ii) a "single objective rate," (iii) a "single objective rate," or (iv) a single fixed rate and a single objective rate.

For purposes of determining if a note is a variable rate debt instrument, a qualified floating rate is a rate that is reasonably expected to measure contemporaneous variations in the cost of newly borrowed money, is not denominated and is set at a "current rate." A qualified floating rate (or objective rate, as the case may be) is a rate that is no earlier than three months before the date of the note.

A multiple of a qualified floating rate

a product of a qualified rate times a

a multiple greater than 0.65 but

Certain combinations of rates are treated as a single qualified floating rate, including a combination of a qualified floating rate and a qualified objective rate.



of the floating rate at the issue date is intended to approximate the fixed rate, and (ii) expected to have approximately the same values throughout the term of the note. A qualified floating rate if the values of all rates on the issue date are within 0.25 percentage interest rate cap, floor, governor or similar restriction on rate adjustment is treated throughout the term of the note, or is not reasonably expected as of the issue date to

An objective rate is defined as a rate (other than a qualified floating rate) that is determined by objective financial or economic information (other than a rate based on information related to us) or that is unique to our circumstances (or those of a related party)). The IRB is not an objective rate. However, a variable rate is not an objective rate if it is reasonably expected that the note's term will differ significantly from the average value of such rate during the first year of interest for an initial period of one year or less followed by an objective rate is treated as a qualified floating rate if the floating rate at the issue date is intended to approximate the fixed rate; such a combination of rates is treated as a qualified floating rate if the floating rate on the issue date does not differ from the fixed rate by more than 0.25 percentage point. If the floating rate is equal to a fixed rate reduced by a qualified floating rate, the variation of the floating rate and contemporaneous variations in the qualified floating rate (disregarding permissible

If a note is a variable rate debt instrument, special rules apply to determine the amount of any OID. If the note bears interest that is unconditionally payable at least annually a qualified floating rate, the interest is treated as qualified stated interest. The accrual of any OID is determined by assuming the floating rate to the issue date value of the qualified floating rate or qualified inverse floating rate or, if the floating rate is not a qualified floating rate, that is equal to the reasonably expected yield for the note. The qualified stated interest is the amount of interest that is equal to the interest actually paid during an accrual period exceeds (or is less than)

If the note bears interest at a qualifying variable rate other than a single qualified floating rate, the rules generally are determined by (i) determining a fixed rate substitute for each variable rate and (ii) determining the amount of qualified stated interest and OID by assuming the note bears interest at the fixed rate substitute. Adjustments to the qualified stated interest and OID so determined for actual interest rate adjustments to the qualified stated interest and OID so determined for actual interest rate adjustments. If the note includes a fixed rate, the note is treated for purposes of applying clause (i) of the preceding paragraph as if it includes a floating rate (or qualified inverse floating rate if the actual variable rate is such) that is equal to the fixed rate

Notes bearing interest at a variable rate and having a term in excess of one year that are not qualified floating rate notes have contingent principal payments or an issue price that exceeds the noncontingent principal amount and are treated as "contingent interest"

Notes that provide for one or more contingent payments but that do not qualify as variable payment debt instruments ("CPDIs"). If a CPDI is issued for cash or publicly

Under the noncontingent bond method, US Holders of the notes will accrue OID yield." In general the comparable yield of a CPDI is equal to the yield at which the issuer could issue a fixed rate debt instrument with similar terms and conditions is not available, but a similar yield that reflects a spread above a benchmark rate, the comparable yield is the sum

In addition to the determination of a comparable yield, the noncontingent bond method requires the issuer to determine the amount of each payment (whether or not contingent) to be made under the CPDI. The projected amount is the sum of the discounted present value of the projected amounts of all payments, determined so that it equals the issue price and reasonably reflects the relative expected values of the payments of the issuer.

The projected payment schedule is used to determine the US Holder's interest accrual. If the issuer's projected payment schedule is unreasonable, in which case the US Holder must disclose the schedule on its federal income tax return and the reason for the discrepancy.

The projected payment schedule includes all noncontingent payments as well as a provision for adjustments to account for any difference between the projected amount of a payment and the actual amount. The projected amounts are, in effect, treated as fixed, and interest accrual is required based on the amount of any payment is fixed or determinable in the taxable year. Thus, the noncontingent bond method is treated as a fixed rate instrument.

A US Holder's basis in a CPDI is increased by the projected contingent payments accrued (as determined without regard to adjustments made to reflect differences between actual and projected non-contingent payments and the projected amount of any contingent payments previously accrued). CPDI generally would be treated as ordinary income. Losses, on the other hand, would be treated as net interest inclusions (reduced by the total net negative adjustments previously allowed).

The pricing supplement applicable to any note that is treated as a CPDI will describe the tax consequences of ownership of the note. Prospective investors should consult their own tax advisors with respect to the tax consequences of ownership of the note.

A note that has a maturity of one year or less from the date of its issuance is a "short-term note." A US Holder of a short-term note is not required to accrue OID for US federal income tax purposes.

applies to all short-term notes acquired by the US Holder during the first taxable year or any subsequent taxable year of the US Holder, unless the IRS consents to a revocation. US Holders that report income on a straight-line basis and certain other holders, including banks, common trust funds, holders who hold notes in connection with certain transactions, regulated investment companies, certain pass-through entities and dealers in securities, are required to report income on a straight-line basis, unless an irrevocable election with respect to any short-term note is made. In the case of a US Holder that is not required to report income on a straight-line basis, gain realized on the sale, exchange or retirement of a short-term note is treated as ordinary income on a straight-line basis (or, if elected, under the constant yield method based on daily compounding). In addition, non-electing US Holders that are not subject to the current inclusion requirement are not eligible for deductions for any interest paid on indebtedness incurred or continued to purchase or carry such notes, or for any such deductions deferred into a subsequent taxable year.

For purposes of determining the amount of OID subject to these rules, all interest paid on such notes is included in the holder's gross income.

If a US Holder purchases a note, other than a short-term note, for an amount that is less than its issue price (in the case of a note having OID, less than its revised issue price (which is the sum of the issue price and any previously includible market discount)), the difference between the issue price and the purchase price may be treated as market discount for US federal income tax purposes. (It is possible that a note will be purchased for an amount that is different than its issue price.) The amount of any market discount generally is limited to the amount that is less than the product of 0.25 percent of the stated redemption price at maturity of the note and the note's average maturity in the case of notes paying any amount of interest.

Under the market discount rules, a US Holder is required to treat any principal payment received on a note as other disposition of, a note as ordinary income to the extent of any accrued market discount. If the note is disposed of in a nontaxable transaction (other than certain specified non-recognition transactions), the market discount is includible as ordinary income to the US Holder as if the US Holder had sold the note at the time of the transaction. The US Holder may be required to defer, until the maturity of the note or its earlier disposition in a taxable transaction, the inclusion of the market discount expense on any indebtedness.

Market discount accrues ratably during the period from the date of acquisition to the date of disposition of the note under the constant yield method. A US Holder of a note may elect to include market discount currently (under the constant yield method), in which case the rule described above regarding deferral of market discount currently applies to all market discount obligations acquired by the US Holder. The election to include market discount currently applies, and may not be revoked without the consent of the IRS. If an election is made to include market discount currently, the note in the hands of the US Holder will be increased by the amount of market discount.

A US Holder that purchases a note having OID for an amount exceeding its "adjusted Issue Discount") and less than or equal to the sum of all remaining amounts payable on the note will be treated as having purchased the note with acquisition premium. The amount of acquisition premium with respect to such note will be reduced in the proportion that the excess bears to the total amount of acquisition through the stated maturity date. Rather than apply the above fraction, a US Holder that purchases a note with OID would treat the purchase at an acquisition premium as a purchase at an original issue discount.

A US Holder that acquires a note for an amount that is greater than the sum of all remaining amounts payable on the note of qualified stated interest will be treated as having purchased the note at a bond premium.

A US Holder generally may elect to amortize bond premium. The election to amortize bond premium will be made on the US Holder's income tax return for the first taxable year in which the note is included in the US Holder's gross income.

If bond premium is amortized, the amount of interest that must be included in the US Holder's gross income on the payment date or on stated maturity, as the case may be, will be reduced by the portion of the bond premium that has been amortized to yield to maturity (or, in certain circumstances, based on an earlier call date) determined by the US Holder at the close of each accrual period. If the bond premium allocable to an accrual period is in excess of the interest for that period, the excess may be deducted to the extent of prior income inclusions and is then carried forward to be deducted against interest in such period. There are also special rules for determining bond premium on variable rate debt instruments with alternative payment schedules that are not treated as CPDIs. If an election to amortize bond premium is made, the full amount of each interest payment is included in income in accordance with its regular method of calculation, and the amortized premium only in computing its gain or loss upon the sale or other disposition of the note.

An election to amortize bond premium will apply to amortizable bond premium that is included in the US Holder's gross income, held at the beginning of the US Holder's first taxable year in which the note is acquired, and may be revoked only with the consent of the IRS. The election to treat a note as having bond premium. Special rules may apply if a note is subject to a call option prior to maturity at the option of the issuer.

#### **Election to Treat All Interest as Original Issue Discount**

A US Holder of a note may elect to include in income all interest and discount (including market discount) on a constant yield method, adjusted by any premium with respect to the note, as OID on a constant yield method. The election is made for the taxable year in which the US Holder acquired the note, and it may be revoked only with the consent of the IRS. If an election is made with respect to a note having market discount, the US Holder will be deemed to have made an election to treat all debt instruments having market discount as having market discount. If an election is made with respect to a note having amortizable bond premium, the US Holder will be deemed to have made an election to treat all debt instruments having amortizable bond premium generally with respect to all debt instruments having amortizable bond premium.

The following discussion applies to foreign currency notes that are not "hyperinflationary," that are not CPDIs and that are not "dual currency notes." Specifi- cally, foreign currency notes denominated in or indexed to a hyperinflationary currency, are CPDIs or are dual cur-

In general, a US Holder that uses the cash method of accounting and holds a foreign currency note will determine the US dollar value of the amount of interest income received, whether or not the payment is made in US dollars, as the US dollar value of the amount of interest received is the amount of foreign currency interest received on the date of receipt. The US Holder will not have exchange gain or loss on the interest pay-

A US Holder that uses the accrual method of accounting is generally required to determine the US dollar value of the amount of interest income received on the accrual period. Accrual basis US Holders may determine the amount of income received on either of two methods. Under the first method, the dollar value of accrued interest is translated into US dollars with respect to an accrual period that spans two taxable years, the partial period within the second year, as the simple average of spot rates of exchange for each business day of such period or other average rate of exchange consistently applied by the US Holder. Under the second method, a US Holder can elect to determine the interest accrual period (in the case of a partial accrual period, the last day of the tax year) as the date within five business days of the receipt, the spot rate on the date of receipt. Any such election must be irrevocable and will be irrevocable without the consent of the IRS. An accrual basis US Holder will not have exchange gain or loss on the receipt of a foreign currency interest payment if the exchange rate on the date of receipt is the same as the previous accrual of that interest income. The foreign currency gain or loss will be determined on the date of receipt.

OID on a foreign currency note is determined in the foreign currency and is translated into US dollars. A US Holder accrues stated interest. Exchange gain or loss is determined when OID is computed. The amount of exchange gain or loss on a payment differs from the amount of exchange gain or loss on a receipt.

The amount of market discount on a foreign currency note includible in income is determined in the foreign currency and translating that amount into dollars at the spot rate on the date of disposition. If the US Holder accrues market discount currently, the amount of market discount is determined in the foreign currency and translated into US dollars on the basis of the spot rate on the date of disposition. Exchange gain or loss may be recognized to the extent that the rate of exchange on the date of disposition differs from the rate of exchange on the date of acquisition.

Amortizable bond premium on a foreign currency note is computed in units of foreign currency. At the time amortized bond premium offset is elected (the election is made and the last day of each subsequent tax year), exchange gain or loss is determined. Exchange gain or loss is measured by the difference between exchange rates on the date of disposition and the date of acquisition.

With respect to the sale, exchange, retirement or other disposition of a note denominated in a foreign currency, the amount realized will be considered to be first, the payment of accrued but unpaid interest (as defined above); second, accrued but unpaid OID (on which exchange gain or loss is recognized). With respect to principal, exchange gain or loss is equal to the difference between (i) the amount realized on the payment is received or the date of disposition, and (ii) the foreign currency principal amount of the note deemed acquired. Exchange gain or loss computed on accrued interest, OID, market discount, and premium of total gain or loss on the transaction. The conversion of US dollars into a foreign currency is based on the foreign currency note general

Upon the disposition of a note by sale, exchange, redemption, or repayment of principal, the taxable gain or loss equal to the difference between (i) the amount realized on the disposition and (ii) the US Holder's adjusted tax basis in the note. A US Holder's adjusted tax basis is the original cost plus accrued interest) to the US Holder, increased by amounts includible in income as OID (including market discount in income on a current basis) and reduced by any amortized bond premium.

Because the note is held as a capital asset, such gain or loss (except to the extent provided for in the short-term notes otherwise provide) will generally constitute capital gain or loss. Capital gain or loss on the other disposition of a note held for more than one year may be eligible for reduced rates of tax. See the sale, exchange

#### Disclosure Requirements for US Holders

A US Holder that reports any item or items of income, gain, expense, or loss in its tax return must report from the amount reported for book purposes by more than \$10 million on a gross basis. See the requirements for "reportable transactions." Prospective investors should consult their tax advisor with respect to the notes and penalty that may

As used in this discussion, the term "Non-US Holder" means a beneficial owner

an estate whose income is not

a trust if no court within the United States is able to exercise primary control over the trust's assets or persons holding

Payments on the notes to Non-US Holders will not be subject to US federal

the Non-US Holder does not actually or constructively own 10% or

the Non-US Holder is not a controlled foreign corporation for U

the Non-US Holder is not a bank receiving interest on

interest payable on the notes is not determined by reference to any r  
in the value of any property of, or any dividend or similar payment m

the payments are not effectively connected with a trade or business  
either (a) the Non-US Holder provides a correct, complete and execut  
(or successor form) with all of the attachments required by the IRS, o  
intermediary (generally a foreign financial institution or clearing o  
institution or clearing organization that is a party to a withholding  
Form W-8IMY stating that it is a qualified intermediary and has

If any of these exceptions apply, interest (including OID) on the notes will be subj  
tax treaty reduces or eliminates the tax or the interest is effectively connected with the  
prov

In general, gain realized on the sale, exchange or retirement of the notes by a No

the gain with respect to the notes is effectively connected with a

the Non-US Holder is a nonresident alien individual who holds the  
for more than 182 days in the taxable

A note held by an individual who at death is a Non-US Holder will not be includible  
tax purposes if payments on the notes to the Non-US Holder would not have been subj

Information reporting will apply to certain payments on a note (including interest)  
Holder that is not an exempt recipient (such as a corporation). Backup withholding  
Holder has failed to provide its correct taxpayer identification number on I  
underreporting by the US Holder (underreporting generally refers to a determination by  
tax return any reportable dividend and interest payments required to be shown on a tax  
the IRS that the tax identification number provided to the IRS on an information return

Backup withholding and nonresident alien withholding will not be required with respect to interest payments if you have received from the Non-US Holder a correct and complete IRS Form W-8 and you have provided the attachments required by the IRS. Interest paid to a Non-US Holder will be reported on Form 1099.

Information reporting and backup withholding may apply to the proceeds of a sale of the notes in the United States or conducted through certain US related financial intermediaries.

Backup withholding is not an additional tax and may be refunded (or credited) if you file an information reporting requirements may apply regardless of whether withholding is required. Information returns reporting such interest and withholding also may be made available to the tax authorities of the resident under the provisions of an applicable tax treaty.

**The preceding discussion is only a summary of certain of the tax implications of investing in the notes. You are urged to consult with their own tax advisors prior to investing to determine the tax consequences of investing in the notes.**

## SUPPLEMENTAL PLAN OF DISTRIBUTION

We are offering the notes on a continuing basis through agents. Any agent may

offer the notes through any agent as principal, either at a discount from their principal amount or at their principal amount, for resale to one or more investors and other persons. The discount or premium at the time of resale, which may be greater or lesser than the discount or premium at the time of original sale, will be set forth in the applicable pricing supplement.

We will have the sole right to accept offers to purchase notes and may reject any purchase offer. We will have the right, in its reasonably exercised discretion, to reject any offer to purchase notes through an agent a commission, in the form of a discount, ranging from .125% to .750% of the price of the notes sold through that agent. Any agent may agree with us to accept a commission other than that set forth in the applicable pricing supplement. We and Bear, Stearns & Co. Inc., as the agent, will use our reasonable best efforts to solicit orders to purchase notes. We may also appoint additional agents to enter into the above distribution agreement. Any other agents will be named in the applicable pricing supplement. Notes sold through those agents will be on the same terms and conditions to which the agent is offering the notes or the agent may sell notes may be our affiliates or customers and may engage in transactions in the course of business. We also may pay fees and other amounts to an agent or an affiliate of the agent in connection with certain issuances.

Unless the applicable pricing supplement indicates otherwise, payment of the principal amount of the notes will be made in cash.



The agents may be deemed to be "underwriters" within the meaning of the Securities Act of 1933, and the agents will be liable to the agents against or to make contributions relating to certain civil liabilities, including

Following the initial distribution of notes, the agent or other affiliates of The Bear Stearns & Co. Inc. in connection with offers and sales associated with market-making transactions in the secondary market for the notes. The offers and sales will be limited to market-making transactions. The offers and sales will be limited to market-making transactions.

Any agents offering notes will not confirm sales to any accounts over which they exercise control.

Because Bear, Stearns & Co. Inc. is our wholly-owned subsidiary, each distribution of notes will be subject to Rule 2720 of the NASD Conduct Rules. The maximum commission or discount received by any agent participating in a distribution of the notes will not be greater than eight percent of the net proceeds of the notes, which such

#### **VALIDITY OF THE NOTES**

The validity of the notes will be passed on for us by Cadmus

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**GLOSSARY**

Set forth below are definitions

"Business Day" means any day that (a) is not a Saturday or Sunday, (b) in New York generally are authorized or required by law or executive order to close, and (c) if

"Calculation Agent" means the person chosen by us to perform the duties related

"Calculation Date" means, with regard to an Interest Determination Date, the Determination Date or if that day is not a Business Day, the next Business Day or (ii) the

"Exchange Rate Agent" means JPMorgan Chase Bank, N.A. (formerly, The

"H.15(519)" means the weekly statistical release entitled "Statistical Release H.15(519)" published by the

"Index Maturity" means the period to maturity of the instrument or obligation on

"London Banking Day" means any day on which dealings or deposits in

"Money Market Yield" means the yield, expressed as a percentage

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)}$$

where "D" refers to the per annum rate for commercial paper quoted on a bank discount basis and "M" is the actual number of days in the period

"Paying Agent" means JPMorgan Chase Bank, N.A. (formerly, The Chase Manhattan

"Reuters Screen LIBO Page" means the display designated as page "LIBO" on the Reuters Screen LIBO service as may replace the LIBO page on that service for the purpose of displaying

"Reuters Screen NYMF Page" means the display designated as page "NYMF" on the Reuters Screen NYMF service as may replace the NYMF page on that service for the purpose of displaying

"Telerate Page 3750" means the display designated as page "3750" on the Telerate service or such other service or services as may be nominated by the British

# The Bear Stearns Company

## Debt Securities Warrants Preferred Stock Depositary Shares

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By this prospectus, we intend to offer at one or more times

Debt Securities  
Warrants to Purchase Debt Securities  
Preferred Stock  
Depositary Shares

in one or more series with an aggregate initial public offering amount of approximately  
\$12,410,781,162 (as described in the applicable prospectus)

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We will provide the specific terms of these securities in supplements to this prospectus. You should read this prospectus and any supplements carefully before you invest in the securities.

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**Neither the Securities and Exchange Commission nor any state securities commission has passed upon the adequacy or accuracy of this prospectus. A**

We may use this prospectus in the initial sale of these securities. In addition, Bear Stearns may use this prospectus in a market-making transaction in any of these or similar securities. **purchaser otherwise in the confirmation of sale, this prospectus**

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

Prospectus dated February 2, 2007

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The information contained in this prospectus is not complete and may be incorporated by reference or provided in this prospectus or any supplement to this prospectus. These securities are not being offered in any state where it is unlawful to do so. Do not assume that the information in this prospectus or any supplement to this prospectus is accurate as of the date of this prospectus.

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**WHERE YOU CAN FIND MORE INFO**

We file current, annual and quarterly reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC's public reference room, 1000 L Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information. Copies of these documents are also available to the public from the SEC's Internet site at <http://www.sec.gov>. Copies of these documents may also be inspected at the offices of the New York Stock Exchange.

Our website is <http://www.bearstearn.com>. We make available free of charge on our website <http://www.sec.gov>, our annual reports on Form 10-K, quarterly reports on Form 10-Q, and proxy statements on Forms 3, 4 and 5 filed on behalf of directors and executive officers and any amendments to those reports, as soon as reasonably practicable after such materials are filed with the SEC.

In addition, we currently make available on <http://www.bearstearn.com> our most recent Form 10-Q for the current fiscal year and our most recent proxy statement, although they may not be available on our website as soon as they are available on the SEC's internet site. You will need to have access to the internet to view these documents.

We have filed with the SEC a registration statement on Form S-3 (the "Registration Statement") with respect to the securities. This prospectus, which constitutes a part of that Registration Statement, is contained in that Registration Statement and its exhibits. For further information with respect to the securities, please refer to the Registration Statement.

Statements contained in this prospectus concerning the provisions of any document filed with the SEC are qualified in its entirety by reference to the copy of the document filed with the SEC and any amendments, including exhibits filed as a part of the Registration Statement or an amendment to the Registration Statement.

The SEC allows us to "incorporate by reference" the information that we file with the SEC. This information is incorporated by reference into this prospectus, and information that we file later with the SEC will also be incorporated by reference into this prospectus.

The following documents filed by us with the SEC pursuant to Section 13 of the Exchange Act are incorporated by reference into this prospectus:

- (1) the Annual Report on Form 10-K (including the portions of the Company's financial statements incorporated by reference to the Annual Report on Form 10-K)
- (2) the Quarterly Reports on Form 10-Q for the fiscal quarters ended February 28, 2004, May 29, 2004, August 28, 2004, and November 27, 2004
- (3) the Current Reports on Form 8-K dated December 15, 2003, January 21, 2004, March 3, 2004, March 17, 2004, March 18, 2004, May 11, 2004, June 16, 2004, June 16, 2004, September 7, 2004, September 22, 2004, September 22, 2004, October 29, 2004, November 4, 2004, November 18, 2004, November 29, 2004, and November 29, 2005

We will provide to you without charge, a copy of any or all documents incorporated into those documents (unless they are specifically incorporated by reference in those documents) at our Investor Relations Department, The Bear Stearns Companies Inc., 383 Madison Avenue, New York, NY 10017.

## THE BEAR STEARNS COMPANIES

We are a holding company that, through our broker-dealer and international bank (the "Bear Stearns Group"), Bear Stearns Securities Corp. ("BSSC"), Bear Stearns International Limited, investment banking, securities and derivatives trading, clearance and brokerage firm services to investors worldwide. BSSC, a subsidiary of Bear Stearns, provides professional and clearing services for settling customer transactions and certain of our proprietary transactions. In addition to our operations through certain of our regulated subsidiaries (Bear Stearns, BSSC, BSIL and Bear Stearns Bank), we have wholly-owned subsidiaries including: Bear Stearns Global Lending Limited, Custodial Trust Company, Bear Stearns Capital Markets Inc., EMC Mortgage Corporation, Bear Stearns Commercial

market-making and trading in US government, government agency, corporate and municipal securities.

trading in options, futures, foreign currencies and derivatives.

managing equity and fixed income portfolios.

involvement in specialist activities on the New York Stock Exchange.

assisting in mergers and acquisitions.

from domestic regional offices in Atlanta, Boston, Chicago, I

from representative offices i

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through international offices in Dublin, Hong

through joint venture

Our international offices provide services and engage in investment activities. Additionally, cert

Bear Stearns and BSSC are broker-dealers and investment advisers registered with the NYSE, all other principal US securities and futures exchanges, the National Association of Futures Trading Commission, the National Futures Association and the ISE. Bear Ste

BSIL is a full service broker-dealer based in London and among other European exchanges, International Petroleum Exchange, Euronext Liffe, Euronext Paris and NASDAQ Eur

BSB is an Ireland-based bank, which was registered in 1996 and subsequently governed by the Central Bank Act, 1971. BSB allows our existing and prospective client

Bear Stearns Global Lending Limited ("BSGL") provides loans to certain Bear

Custodial Trust Company ("CTC"), an FDIC insured New Jersey State chartered bank, provides services. CTC provides us with banking powers including access to the securities and provides trust, custody, agency and securities lending services for institutional and government securities for institutions and dealers; and the processing of mortgage collateralized mortgage obligations products. At November 30, 2004, CTC held institutional clients such as pension funds, I

Bear Stearns Financial Products Inc. ("BSFP") transacts business as a triple-A-rated fixed income and equity derivative products. Eligible clients are those rated A3 or better by Standard & Poor's Ratings Services or counterparties acceptable to both rating agencies. transactions to Bear Stearns Capital Markets Inc., an affiliate of BSFP and one of our wh

Bear Stearns Capital Markets Inc. ("BSCM") is engaged in fixed income derivativ

EMC Mortgage Corporation ("EMC"), is a HUD and Freddie MAC approved lender of and non-conforming, investment-grade and non-investment grade, conventional fixed servicing released or retained and sells such loans to investors. EMC also purchases and in addition, through a subsidiary, EMC may originate

Bear Stearns Commercial Mortgage Inc. activities benefit mortgage customers of commercial, multifamily, and manufactured housing community properties, including the



Bear Stearns Credit Products Inc. ("BSCPI") is engaged in credit derivatives

Bear Stearns Forex Inc. ("BSFX") is a foreign exchange dealer engaged in foreign

We are incorporated in the State of Delaware. Our principal executive office is located at 100 Pine Street, 18th Floor, New York, New York 10038, and our telephone number is (212) 272-2000. Our internet address is <http://www.bearstearns.com>. "us" and "our" refer only to The Bear Stearns Group Inc.

## USE OF PROCEEDS

Unless otherwise specified in the applicable prospectus supplement, we intend to use the net proceeds of the offering for general corporate purposes, which may include additions to working capital, the repayment of debt, the acquisition of businesses, extensions of credit to, subsidiaries. Pending such uses, the net proceeds may be used for other general corporate purposes.

## RATIO INFORMATION

The ratio of earnings to fixed charges was calculated by dividing the sum of the following items: earnings before taxes and fixed charges, fixed charges, and certain other expenses. Preferred dividends represent the pre-tax earnings necessary to pay preferred dividends. The ratio of earnings to combined fixed charges and preferred dividends was calculated by dividing the sum of earnings before taxes and fixed charges, fixed charges, and certain other expenses by the sum of fixed charges and preferred dividends.

The table below presents the ratio of earnings to fixed charges and the ratio of earnings to combined fixed charges and preferred dividends for the fiscal year ended December 31, 2007.

Ratio of earnings to fixed charges	
Ratio of earnings to combined fixed charges and preferred dividends	6

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**DESCRIPTION OF DEBT SECURITIES**

This section describes certain general terms and provisions of the debt securities. The particular terms of any debt securities offered by a prospectus supplement and the extent to which the terms of the debt securities to the particular series of debt securities being offered, will be described in the prospectus supplement.

We will issue the debt securities under the Indenture, dated as of May 31, 1991, as amended, with Chase Bank, N.A. (formerly

The terms of the debt securities include those stated in the Indenture and those made a part of the Indenture by reference to the Act of 1939, as amended. We have filed a copy of the Indenture as an exhibit to the Registration Statement. A copy of the Indenture is available as described below.

This section, along with the description in the applicable prospectus supplement, is not complete. It does not restate the Indenture in its entirety. We urge you to read the Indenture and the applicable prospectus supplement.

We may offer debt securities for an aggregate principal amount of up to \$1 billion. In the prospectus, we have issued approximately \$92,455,416,650 aggregate principal amount of debt securities with a weighted average maturity of approximately 2.5 years.

provide for the issuance of other debt securities under the Indenture or otherwise.

"reopen" a previous issue of a series of debt securities.

Each prospectus supplement will describe the terms of any debt securities.

the percentage of the stated principal amount at which the debt securities will be redeemed.

the person to whom interest is payable.

the interest rate or rates, which may be fixed

any index used to determine the amounts of any payments on the debt

the interest payment dates, the regular record dates for the interest

the place or places where payments on the debt securities may be made

any date or dates after which the debt securities may be redeemed,  
the option of the holder and the periods, prices, terms, and

if other than the full principal amount, the portion of the principal

the currency of principal, any premium, interest, and any other amount

if the debt

the identification of or method of selecting any interest rate calculation

any provisions for the discharge of our obligations relating to the

any provision relating to the extension

if applicable, the circumstances under which we will pay additional amounts  
a United States person for tax purposes and under which we will

whether the debt

any other terms of the debt securities, which

Unless we provide otherwise in an applicable prospectus supplement, we will issue  
denominations of \$1,000 and integral multiples of \$1,000, and in bearer form with or without  
bearer debt securities of a series, we will describe the federal income tax consequences of  
debt securities

Unless we provide otherwise in the applicable prospectus supplement and subject to  
exchange your registered securities at the corporate trust office or agency of the Trustee in  
charge, other than applicable tax or governmental charges. Bearer debt securities will be  
relating to the exchange of bearer debt securities of any series

If the principal, any premium or interest on the debt securities of any series is  
prospectus supplement will describe any restrictions, elections, federal income tax consequences

We may sell one or more series of debt securities at a substantial discount below face value and pay interest at a rate that at the time of issuance is below market rate. One or more series of d

exchanged for fixed rate debt securities. We will describe the federal income tax consequences of such an exchange.

The debt securities will be unsecured and will rank equally with all of our other unsecured debt securities issued by us or our subsidiaries at various times. Any credit we may extend to our subsidiaries may be secured.

We are a holding company and depend on the earnings and cash flow of our subsidiaries. Because the creditors of our subsidiaries generally would have a right to receive payment from the assets of our subsidiaries, the holders of our debt securities will effectively be subordinated to the claims of the creditors of our subsidiaries. Furthermore, the Exchange Act and the rules of certain exchanges and other securities laws, and the indebtedness of our subsidiaries, impose net capital requirements on some of our subsidiaries.

*Registered Debt Securities.* Unless we otherwise provide in the applicable prospectus form, then the principal, any premium and interest will be payable at the corporate trust office of the trustee.

Interest payments made before maturity

at our option, by check

at your option, if you hold at least \$10 million in principal amount of debt securities, you have designated in writing at the corporate trust office of the trustee.

*Bearer Debt Securities.* Unless we provide otherwise in the applicable prospectus form, the principal, any premium and interest will be payable at the Trustee's office located outside the United States. No payment on a bearer debt security will be made by mail to a US address or by wire transfer. All payments will otherwise be made inside the United States, unless otherwise provided in the applicable prospectus form.

*Registered Debt Securities.* Unless otherwise provided in the applicable prospectus form, the principal, any premium and interest on a registered debt security will be mailed to the last address of record of the holder.

*Bearer Debt Securities.* Any notice given to a holder of a bearer debt security will be mailed to the last address of record of the holder in the city or cities specified in the prospectus form.

We may not, and may not permit any of our Restricted Subsidiaries to, issue, incur or guarantee any debt securities secured by a pledge of, lien on or security interest in any shares of our Restricted Subsidiaries.

that the securities issued under the Indenture, including the debt securities, will be se

The term "Restricted Subsidiary" as defined in the Indenture means Bear Stearns  
directly or indirectly, any of the common stock of, or succeeding to a significant  
Subsidiary, or with

We may consolidate or merge with or into any other corporation, and may sell,  
corporation, organized and exist

we or any other successor corporation shall not immediately after the

the continuing corporation (if other than us), or the resulting entity

payment of the principal of, and premium, if any, and inte

performance and observance of all of the covenants and c

Unless otherwise provided in the applicable prospectus suppl

a consolidation, merger, sale of assets or other similar transaction

a highly leveraged transaction i

and the Indenture, therefore, will not protect holders of the debt securities from the subs

With the consent of the holders of 66<sup>2</sup>/<sub>3</sub>% in principal amount of the outstanding  
may modify or amend the Indenture, without the consent of each holder of the out

changes the stated maturity or the date of any installment of p

reduces the principal amount of, or the rate of interest on, or  
security, or reduces the amount of principal that could be decla  
security, or changes our obligation to pay any additional amount  
amount of principal of a discount security that wo

changes the place or currency of any payment of p

impairs the right to institute suit for the enforcement



reduces the percentage in principal amount of the outstanding de

modifies the foregoing requirements or reduces the percentage

We may make any of these amendments or modifications, however, with the conse

Except with respect to defaults relating to certain fundamental provisions of the Ind  
holders of each outstanding security of a series affected, the holders of at least a majorit  
series may, with respect to that series, waive past defaults under the Indenture and waive o

Under the Indenture, an "Event of D

a failure to pay any interest, or any additional amounts payable, on an

a failure to pay the principal of, and pre

a failure to deposit

a failure to perform any other covenant contained in the Indenture o

a failure lasting 10 days after notice relating to any of our other  
Restricted Subsidiary in excess of \$10 million, that results in such

certain

any other Ev

Within 90 days after any default, the Trustee will notif

The Trustee may withhold notice of a default (except a default relating to the pa  
amounts related to any debt security or the payment of any sinking fund installment), if th

If a default in the performance or breach of any covenant in the Indenture or r  
written notice has been given to us or the Trustee by the holders of at least 25% in prin  
the Trustee will not give notice to the h

If an event of default for any series of debt securities occurs and continues, th  
amount (or any lesser amount that the series may provide) of the outstanding debt secur

repay the entire principal amount (or any lesser amount that the series may

So long as the Trustee has not yet obtained a judgment or decree for payment of those due solely as a result of acceleration) and have remedied all Events of Default, the holders of the outstanding debt securities of the affected series may rescind any acceleration or may waive the principal amount of all outstanding debt securities of the affected series may not waive

a failure to pay the principal of, and premium, if any, or interest on any debt security of that series

a covenant or provision that cannot be modified or amended without the consent of the holders of a majority in principal amount of the outstanding debt securities of that series

The holders of a majority in principal amount of the outstanding debt securities of that series, provided that this direction is not in conflict with any rule of law or power under the Indenture at the direction of those holders, the Trustee will be entitled to indemnify against the costs, expenses and liabilities which might be incurred in conducting any proceeding for any remedy available to the Trustee or exercising any trust powers

We are required to deliver to the Trustee an annual statement as to our compliance with the provisions of the Indenture

If provided for under the Indenture with respect to debt securities of any series that are denominated only in US dollars (except for interest payments)

be discharged from any and all obligations in respect of the debt securities of that series, maintain paying agents and hold moneys for payment of interest on the debt securities of that series, register the transfer or exchange of debt securities of that series, maintain paying agents and hold moneys for payment of interest on the debt securities of that series

not be subject to provisions of the Indenture described above under the heading "Debt Securities" and "Consolidation"

in each case if we deposit with the Trustee, in trust, money or US government obligations in accordance with their terms, will provide money in an amount sufficient to pay all the principal of, and premium, if any, and any interest on, the debt securities of that series on the date of maturity

To exercise either option, we are required to deposit with the Trustee, in trust, money or US government obligations in accordance with their terms, will provide money in an amount sufficient to pay all the principal of, and premium, if any, and any interest on, the debt securities of that series on the date of maturity

the deposit and related defeasance would not cause the holders of the debt securities of that series to be treated as unsecured general creditors of the issuer

if the debt securities of that series are then listed on the NYSE

We may specify defeasance conditions in the Indenture

**DESCRIPTION OF WARRANTS**

This section sets forth certain general terms and provisions of the warrants to which the terms of the warrants offered by any prospectus supplement and the extent to which the warrants so offered will be described.

We may issue warrants that are debt warrants, index warrants, interest rate warrants, or other warrants, as described in the applicable prospectus supplement. Warrants may be offered independently of or together with one or more securities, preferred stock or other securities or any combination thereof and may be attached to or separated from the securities to which they relate and may be settled either through physical delivery or through payment of a cash settlement.

Each series of warrants will be issued under a separate warrant agreement to be entered into with the warrant agent, all as described in the prospectus supplement relating to that series of warrants. The terms of the applicable warrant agreement and in connection with the certificates for any warrants will be described in the prospectus supplement. We may have a relationship of agency or trust for or with any holders of those warrants.

This section, along with the description in the applicable prospectus supplement, the applicable warrant agreement and warrant certificates and is not complete. We urge you to read the warrant agreements, warrant certificates and other documents, and not these descriptions, define your rights as a holder of warrants. We have filed the warrant agreements and warrant certificates as exhibits to the Registration Statement of which this prospectus supplement is a part. The warrant certificates are available as described in the prospectus supplement.

We may issue, together with debt securities or separately, debt warrants for the payment of principal and interest on the debt securities.

We may issue index warrants entitling the holders thereof to receive from us, upon the occurrence of decreases or increases in the level of a specific index or in the levels (or relative levels) of a specific index or indices may be based on one or more stocks, bonds or other securities, one or more interest rates or other financial instruments.

We may issue interest rate warrants entitling the holders thereof to receive from us, upon the occurrence of decreases or increases in the yield or closing price of one or more specified debt instruments or other rates established from time to time by one or more specified interest rate indices.

to purchase or sell securities of one or more issuers, securities based on the performance of an issuer but excluding the performance of a particular security, or securities whose value is determined by reference to an economic or other measure or instrument, including the occurrence of an event;

entitling the holders thereof to receive from us, upon exercise, the right to purchase or the right to sell a specified amount of one or more currencies for a specified amount of one or more different currencies;

in such other form as may be determined by us;

We refer to the property in the above clauses as the warrant property. We may satisfy our obligations under the warrants by delivering the warrant property, cash or in the case of warrants to purchase securities or commodities, the cash or securities or commodities.

The applicable prospectus supplement may contain, where applicable, the following information:

t

the currency, currency unit, currency index or currency basket based on which the warrants will be exercised;

the date on which the right to exercise those warrants will commence and whether the holder may not continuously exercise the warrants throughout that period;

whether the warrants are exercisable at any time;

whether those warrants are exercisable at any time;

the terms upon which bearer warrants of any series are issued;

whether those warrants will be issued in book-entry form.

the identity of the warrant agent for the warrants and of any other

the proposed listing, if any, of the warrants or any securities p

whether the war

any other terms of those warran

The applicable prospectus supplement may contain, where applicable, the follo

the designation, aggregate principal amount, currency and terms of

the exercise price and whether the exercise price may be paid in cas  
O

the designation, terms and amount of debt securities, if any, to be issu  
any, after which the debt v

The applicable prospectus supplement may contain, where applicable, the followin

the index or indices for any index warrants, which index or indices s  
or other securities, one or more US or foreign interest rates, one or mo  
foregoing, and may be a preexisting US or foreign index or an index  
or currency units selected by us solely in connection with th  
regarding such index or indices and the underlying securities, in  
extent possible, the policies of the publisher of the index with respect

for index warrants, the method of providing for a substitute index  
connection with the exercise of such index warrants if the index char

the commodity, commodity ind

any ma

the debt instrument (which may be one or more debt instru  
government), the rate (which may be one or more interest rates or in  
or more specified financial institutions) or the other yield or price util

the strike amount, the method of determining the spot amount and th



cash amount in the currency in which the interest rate cas

whether such

the formula

the circumstances, if any, under which a minimum and/or maximum

any minimum number of warrants which must be exer

the maximum number, if any, of such warrants that may, subj

any provisions for the au

whether and under what circumstances such warra

any other procedur

The applicable prospectus supplement may contain, where applicable, the following

whether the universal warrants are put warrants or call warrants and v

the specific warrant property, and the amount or the method for de

the currency in which the exercise price, if any,

the base curre

the price at which and the currency with which the underlying sec  
exercise of each t

whether the exercise price may be paid in cash, by the exchange o  
both

whether the exercise of the universal warrants is to be settled in cash

Before you exercise your warrants, you will not have any of the rights of (1) holder  
exercise, including the right to receive payments of principal, any premium or interest on  
rights in the relevant indenture or any other agreement or (2) holders of preferred  
including the right to receive payments of dividends, if any, on such preferred stock or



You may exchange registered warrants of any series for registered warrants of the same series that you have surrendered for exchange. To the extent permitted, you may exchange warrant certificates at the trust office of the warrant agent for that series of warrants (or any other office indicated in the applicable prospectus supplement).

Unless otherwise specified in the applicable prospectus supplement, warrants will be represented by a single global warrant certificate, registered in the name of the warrant agent.

Bearer warrants will be transferable by delivery. The applicable prospectus supplement will describe the terms and conditions of transfer.

You may exercise your warrants at the corporate trust office of the warrant agent (or any other office relating to those warrants) up to 5:00 p.m., New York time, on the date stated in the prospectus supplement, or otherwise stated in the prospectus supplement. If you do not exercise your warrants before the expiration date, they will expire.

Only registered debt securities will be issued and delivered upon exercise of the warrants. The securities to be issued upon exercise of the warrants will be exercised upon receipt of the warrant certificate and any payment, if applicable, at the corporate trust office of the warrant agent or at the office of the warrant agent indicated in the applicable prospectus supplement and we will, as soon as practicable after the date of exercise, deliver the securities to the warrant agent.

If fewer than all of the warrants represented by such warrant certificate are exercised, the warrant certificate will represent the remaining amount of the warrants. Special provisions relating to the exercise of warrants are set forth in the applicable prospectus supplement.

## DESCRIPTION OF PREFERRED STOCK

This section describes certain general terms and provisions of the preferred stock. The particular terms of the preferred stock offered by any prospectus supplement and the exercise price of the preferred stock so offered will be described in the applicable prospectus supplement.

This section, along with the description in the applicable prospectus supplement, is intended to describe the terms of incorporation, as amended, including the terms of the preferred stock.

We urge you to read the restated certificate of incorporation, as amended, and the certificate of incorporation of the company in which you are intending to invest, because those documents, and not these descriptions, govern the rights of the holders of the preferred stock. We have filed a copy of the restated certificate of incorporation, as amended, and the certificate of incorporation of the company in which this prospectus is a part, as amended, as exhibits to the Registration Statement of which this prospectus is a part. The restated certificate of incorporation, as amended, are available at the following website:

Our restated certificate of incorporation, as amended, authorizes the issuance of preferred stock and we may issue preferred stock from time to time in one or more series. The exact terms of each series of preferred stock will be set forth in the certificate of incorporation for that series.

The terms of any particular series of preferred stock will be described in the certificate of incorporation for that series.

the designation, stated value and liquidation preference of each series of preferred stock.

the dividend rate or rates (or method of calculation), the date or dates on which dividends are payable, and whether dividends shall be cumulative or noncumulative and, if cumulative, the amount of dividends in arrears that must be paid before dividends on shares of such series may be paid.

the amount that shares of such series shall be entitled to receive in the event of liquidation, dissolution, winding up or sale of assets.

the terms and conditions, if any, on which shares of such series shall be redeemable.

the voting rights, if any, of shares of such series.

the status as to reissuance or sale of shares of such series redeemed, repurchased or otherwise acquired.

the conditions and restrictions, if any, on the payment of dividends on shares of such series and on the redemption or other acquisition by us or any subsidiary of, the common stock of Applied Biosystems, Inc. or any subsidiary of Applied Biosystems, Inc. if such shares are to be redeemed or otherwise acquired.

the conditions and restrictions, if any, on the creation of indebtedness or the issuance of additional stock ranking on a parity with or prior to the shares of such series.

any additional dividend, liquidation, redemption, sinking or retirement provisions.

The preferred stock will, when issued, be fully paid and nonassessable. Unless otherwise specified, the shares of each series of preferred stock will upon issuance rank senior to the common stock of Applied Biosystems, Inc. and all outstanding series of preferred stock.

3,493,250 depositary shares, each representing a one-fourth interest in one share of the common stock of Applied Biosystems, Inc.

2,612,800 depositary shares, each representing a one-fourth interest in one share of the common stock of Applied Biosystems, Inc.

2,856,900 depositary shares, each representing a one-fourth interest

The preferred stock will have no preemptive rights to subscribe

Unless otherwise specified in the applicable prospectus supplement, before any dividend is paid on our common stock, par value \$1.00 per share, or of any other of our capital stock, the holders of the preferred stock of that series will be entitled to receive, in addition to the payment of dividends, the holders of the preferred stock of that series will be entitled to receive, from the duly authorized committee of the board, out of our net profits or net assets legally available for dividends on April 15, July 15 and October 15, in each year at such rates as will be specified in the applicable prospectus supplement. Dividends will be payable to the holders of record as they appear on the record date (not more than 15 days nor more than 60 days prior to a dividend payment date) as will be fixed by the board of directors.

Dividends on any series of preferred stock may be cumulative or noncumulative, and if cumulative, if the board of directors fails to declare a dividend payable on a dividend payment date, the amount of such dividend shall accumulate and be paid on the next dividend payment date. If the preferred stock is noncumulative, then the holders of the preferred stock of that series will have no right to receive dividends relating to such dividend payment date, and we will have no obligation to pay the dividends on that series are declared or paid on any future dividend payment dates. If dividends on any series of preferred stock are not paid in full and sums set apart for the payment thereof, then no dividends shall be declared and paid on any shares of every series of preferred stock then outstanding, including dividends accrued and unpaid on shares of that series that would be payable per share.

The prospectus supplement relating to a series of preferred stock will specify the dividend rate, whether variable or fixed, and the dates on which dividends are payable, and will specify the conditions on which dividends or on the making of other distributions on, or the purchase, redemption or conversion of, the common stock or any other class of our stock ranking junior to the shares of that series, and will specify the preferences, rights, restrictions and qualifications that are not inconsistent with the certificate of incorporation.

Unless otherwise specified in the prospectus supplement relating to a series of preferred stock, in the event of our liquidation (whether voluntary or involuntary), the holders of preferred stock of that series will be entitled to receive, in addition to the amount specified in the certificate of incorporation, the amount specified in the prospectus supplement, out of the assets of the company available for distribution to our stockholders, whether from capital, surplus or earnings, the amount specified in the certificate of incorporation, with all dividends accrued and unpaid, before any distribution of the assets will be made to the holders of shares ranking junior to that series of preferred stock upon liquidation, dissolution or winding up of the company. If, upon our liquidation, dissolution or winding up, the assets distributable to the holders of that series of preferred stock are insufficient to permit the payment in full to the holders of that series of preferred stock, the amount of our assets thus distributable will be distributed ratably among the holders of that series of preferred stock in the amounts that would be payable per share.

Neither our consolidation, merger or other business combination with or into any other entity, nor the sale, lease, exchange or conveyance of all or any part of our property, assets or business, shall affect the rights of the holders of any series of preferred stock.



separately as a class with all other series of preferred stock upon which li

issue or increase the authorized amount of any class or series of stock

amend, alter or repeal the provisions of our certificate of incorporation  
designation, whether by merger, consolidation or otherwise, so as to  
special right of the outstanding shares of that series or the holder's  
common stock or authorized preferred stock or the creation and issuance  
ranking on a parity with or junior to a series of preferred stock and  
materially and adversely affect the power

Unless otherwise indicated in the applicable prospectus supplement, the transfer agent

## DESCRIPTION OF DEPOSITARY SHARES

This section describes certain general terms and provisions of the depositary shares

This section, along with the description in the applicable prospectus supplement, is  
relating to the applicable series of Preferred Stock and is not complete. Any such depositary  
reference in the Registration Statement of which this prospectus is a part. Copies of

We may, at our option, elect to offer fractional interests in shares of a series of preferred stock. If we elect to offer fractional interests, we will, at our option, provide for the issuance by a depositary of depositary receipts evidencing a fractional interest (to be specified in the applicable prospectus supplement) in a share of preferred stock.

If we offer fractional shares of any series of preferred stock, those shares will be held by a depositary bank or trust company selected by us and having its principal office in the United States with at least \$50,000,000 and the holders from time to time of the depositary receipts issued by the depositary. The applicable prospectus supplement will set forth the name and address of the depositary. Subject to the terms and conditions set forth in the applicable prospectus supplement, the holders of depositary receipts will be entitled, in proportion to the applicable fractional interest in a share of preferred stock, to all the preferences of the fractional share of preferred stock underlying such depositary shares.

Until definitive engraved depositary receipts are prepared, upon our written order, we will issue temporary depositary receipts that are substantially identical to (and entitling the holders thereof to all the rights pertaining to) the definitive depositary receipts. Definitive depositary receipts will be prepared thereafter without unreasonable delay.



The depository will distribute to the holders of depositary receipts evidencing deposits received in respect of the underlying fractional shares of preferred stock in proportion to the relevant record date. The depository will distribute only the amount that can be distributed in a fraction of one cent. Any balance not so distributed will be held by the depository (with interest) and treated as part of the next sum received by the depository for distribution.

If we distribute property other than cash in respect of shares of preferred stock, the depository will distribute the property received by it to the record holders of depositary receipts evidencing shares of preferred stock, in proportion, as nearly as may be practicable, to their respective holdings. If the depository determines that it is not feasible to make such a distribution, the depository will, to the extent equitable and practicable to give effect to the distribution, including the sale of the property, make such distribution.

Each deposit agreement will also contain provisions relating to the manner in which the depository will exercise the rights of the preferred stock deposited under such deposit agreement.

If the shares of preferred stock deposited under a deposit agreement are subject to redemption, the depository shares relating to those deposited shares will be redeemed from the depository upon redemption. Whenever we redeem shares of preferred stock held by a depository, the depository will issue a number of depositary shares representing the shares of preferred stock so redeemed. The depository will issue such depositary shares 20 and not more than 50 days prior to the date fixed for redemption to the record holders of the shares. The redemption price per depositary share will be equal to the applicable fraction of the per share redemption price of the underlying shares of preferred stock. If less than all the depositary shares are to be redeemed, the depository will redeem the depositary shares in proportion to their respective holdings.

Once notice of redemption has been given, from and after the redemption date, the shares of preferred stock so called will be deemed to be outstanding, unless we fail to redeem the shares of preferred stock so called. The rights of the holders of depositary shares will cease, except for the right to receive the monies payable upon redemption to which the holders of depositary shares were entitled upon such redemption (but not including interest).

As soon as practicable after receipt of notice of any meeting at which the holders of the underlying shares of preferred stock are entitled to vote, the depository will mail the information contained in that notice to the holders of the depositary shares relating to such preferred stock as of the record date of the meeting, subject to any applicable restrictions, to instruct the depository as to the exercise of the voting rights of the holder's depositary shares. The depository will attempt to vote the depositary shares in accordance with the instructions received.

accordance with the holder's instructions, and we will agree to take all action deemed necessary.  
The depository will abstain from voting shares of preferred stock deposited under a deposit agreement with us from the date of deposit until the date of withdrawal from the depository.

Upon surrender of depositary receipts at the principal office of the depository (or at any other office designated by the depository), and subject to the terms of the deposit agreement, the holder of the depositary receipt is entitled to delivery of whole shares of preferred stock and all money and other property represented by the depositary receipt. If the depositary receipt surrendered by the holder represents the number of whole shares of preferred stock to be withdrawn, the depository will deliver to the holder the whole shares of preferred stock and the depositary receipt evidencing the excess depositary shares. Holders of shares of preferred stock deposited with the depository may deposit such shares under a deposit agreement or to receive depositary shares. We do not intend to issue depositary shares in connection with the payment of dividends on the preferred stock.

We may from time to time amend the form of depositary receipt evidencing any depositary shares issued by us under a deposit agreement between us and the depository. However, any amendment that materially changes the rights of holders of depositary shares will not be effective unless and until approved by the holders of at least a majority of the depositary shares under that deposit agreement. Each deposit agreement will provide that each holder of depositary shares at the time an amendment becomes effective will be deemed to have consented to the amendment. In order to comply with any mandatory provisions of applicable law, no amendment to a deposit agreement, of any holder of any depositary shares to surrender the depositary receipt evidencing the excess depositary shares together with instructions to deliver to the holder the whole shares of preferred stock and all money and other property, if any, represented thereby. A deposit agreement will not be amended in a manner that would materially change the rights of holders of depositary shares.

all outstanding depositary shares issued by us.

there has been a final distribution in respect of the preferred stock of the Company, or in connection with the liquidation, dissolution or winding up of the Company and the amount of such distribution has been distributed to the holders of the preferred stock.

We will pay all transfer and other taxes and governmental charges arising solely from the redemption of such preferred stock. Holders of depositary shares will pay any other taxes and governmental charges of any depository in connection with the initial deposit of preferred stock.

Each depository will forward to the holders of depositary shares issued by that depository the whole shares of preferred stock delivered to the depository and that we are required to furnish to the holders of the preferred stock.

make available for inspection by the holders of those depository shares, at the principal office of the depository, from time to time deem advisable, all reports and communications received from us that

Neither we nor any depository will assume any obligation or will be subject to any liability in respect of depository shares other than for its negligence or willful misconduct. Neither we nor any depository, under any law or any circumstance beyond its control in performing its obligations under a deposit agreement, will be limited to performance in good faith of its duties thereunder. Neither we nor any depository will be liable in any legal proceeding in respect of any depository shares or preferred stock unless satisfied that the depository acted on written advice of counsel or accountants, on information provided by persons presenting themselves as the owners or other persons believed in good faith to be competent to give such information and on

A depository may resign at any time by delivering to us notice of its election to resign. Such resignation or removal will take effect upon the appointment of a successor depository. A successor depository must be appointed within 60 days after delivery of the notice of resignation of the depository to its principal office in the United States of America and having

#### **BOOK-ENTRY PROCEDURES AND SECURITY**

Each debt security, warrant, share of preferred stock, and depositary share will be

by one or more global securities

by a depository

Unless otherwise specified in a prospectus supplement, we will issue each security in registered form as actual notes or certificates. Instead, we will issue global securities in registered form. Each global security will be registered in the name of a financial institution that holds them as depository. The global securities in that depository's book-entry system. These participating institutions, in turn, hold beneficial interests

If a security is registered on the books that we or the Trustee, warrant agent, depository, or other investor, we refer to that investor as the "holder" of that security. These persons are the beneficial owners. If a security issued in global form, we will recognize only the depository as the holder of the security for all purposes, including deliveries of any property other than cash, to the depository. The depository will be the only participant, which in turn pass the payments along to their customers who are the beneficial owners. The depository is obligated to pass these payments along under agreements they have made with one another.

As a result, investors will not own securities issued in book-entry form directly. Instead, they will own securities issued through a bank, broker, or other financial institution that participates in the depository's book-entry system. As long as the securities are issued in global form, the depository will not have knowledge of the identities of the beneficial owners of the securities. The depository will not have knowledge of the identities of the beneficial owners of the securities.

In the future we may cancel a global security or issue securities initially in non-global form. We may also issue global securities for actual notes or certificates registered in the names of the beneficial owners.

the depository, such as The Depository Trust Company ("DTCC"), as the depository for the global securities or we become aware that the depository is not qualified to act as the depository under the Exchange Act, and in any case we fail to appoint a new depository.

we, in our sole discretion, determine not to list the securities.

Upon the occurrence of either of the foregoing events, we will issue securities in the form of actual notes or certificates. An owner of a beneficial interest in the global securities to be exchanged will be entitled to receive the securities in principal amount to such beneficial interest and to have such securities registered in the name of the beneficial owner. Securities issued in denominations of \$1,000 and integral multiples of \$1,000 in excess thereof. The depository will supplement, and we will issue, securities in the form of actual notes or certificates.

You should read "Limitation on Issuance of Bearer Debt Securities and Bearer Securities" in the prospectus supplement for the issuance of individual bearer debt securities.

When actual notes or certificates registered in the names of the beneficial owners are issued, we will issue them in their own names or in street name. Securities held by an investor in street name will be held by a financial institution that the investor chooses, and the investor would hold only a beneficial interest in the securities she maintains at that institution. For securities held in street name, we will recognize the financial institutions in whose names the securities are registered as the holders of those securities for all purposes, including deliveries of any property other than cash, to them. These institutions pass along their obligations to the beneficial owners, but only because they agree to do so in their customer agreements or other arrangements. We will hold securities in street name.

Our obligations, as well as the obligations of the Trustee under the Indenture and the obligations of any other third parties employed by us, the Trustee, or any of those agents, run only to the benefit of investors who hold beneficial interests in global securities, who hold the securities in street name.

indirect owner of a security or has no choice because we are issuing the securities only  
give a notice to the holder, we have no further responsibility for that payment or no  
depository participants or customers or by law, to pass it along to the indirect owner  
approval of the holders for any purpose, such as to amend the Indenture for a ser  
warrants or to relieve us of the consequences of a default or of our obligation to comply w  
the approval only from the holders, and not the indirect owners, of the relevant securities  
is up to the holders. When we refer to "you" in this section, we mean those who invest  
they are the holders or only indirect owners of those securities. When we refer to "your

If you hold securities through a bank, broker, or other financial institution, either in

whether you can provide contact inform

whether and how you can instruct it to exercise any rights to purcha

how it w

whether and how you can instruct it to send you the securities reg

how it would exercise rights under the securities if there were a def

if the securities are in book-entry form, how the

Each security issued in book-entry form and represented by a global security w  
more financial institutions or clearing systems, or their nominees, which we will sele  
select for any security are called "depositories." Each series of securities

a financial institution holding the securities on behalf of Euroclear B

a financial institution holding the securities on behalf of Clearstream

any other clearing system or financial institution.

The depositories named above also may be participants in one another's systems. For more information, see the "Depositories" section of the prospectus supplement.

through Euroclear or Clearstream as DTC participants. The depository or depositories for the securities will be Cede & Co. or its nominee, Cede & Co., which is DTC's partnership nominee, or any other name as may be requested by the issuer. Each fully registered global security will be issued for each issue of the securities, each deposited with DTC. If, however, the aggregate principal amount of any issue exceeds each \$500 million of principal amount, and an additional certificate will be issued with

The following is a summary of the terms of the DTC system:

DTC will act as securities depository for the securities. The securities will be issued by the issuer to Cede & Co., which is DTC's partnership nominee, or any other name as may be requested by the issuer. Each fully registered global security will be issued for each issue of the securities, each deposited with DTC. If, however, the aggregate principal amount of any issue exceeds each \$500 million of principal amount, and an additional certificate will be issued with

DTC, the world's largest depository, is a limited-purpose trust company organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, and a "clearing agency" registered with the Securities and Exchange Commission under the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered with the Securities and Exchange Commission. DTC provides asset servicing for over two million issues of United States and non-United States securities, including money market instruments from over 85 countries that its participants deposit with DTC. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation. DTC is the central securities depository for the United States and provides clearing and settlement services for direct participants of sales and other securities transactions in deposited securities. DTC eliminates the need for physical movement of securities and the associated risks of loss, theft, and damage. DTC pledges between direct participants. This eliminates the need for physical movement of securities. DTC includes both United States and non-United States securities brokers and dealers, banks, trust companies, and other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation. DTC is the central securities depository for the United States and provides clearing and settlement services for a number of direct participants of DTC and members of the National Securities Clearing Corporation, the MBS Clearing Corporation, and Emerging Markets Clearing Corporation, also known as EMCC. DTC is also a member of the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the NASD. Access to the DTC system is available to United States and non-United States securities brokers and dealers, banks, trust companies, and other organizations. DTC has a custodial relationship with a direct participant, either directly or indirectly. The DTC system

Purchases of the securities under the DTC system must be made by or through direct participants. Beneficial owners of securities deposited with DTC are recorded on DTC's records. The beneficial interest of each actual purchaser of each security is recorded on DTC's records. Beneficial owners will not receive written confirmation from DTC of their purchases or sales of securities. Beneficial owners will receive written confirmations providing details of the transaction, as well as periodic statements of account, from the direct or indirect participants through which the beneficial owner entered into the transaction. Transfers of beneficial interests in securities are made on the books of direct and indirect participants acting on behalf of beneficial owners. Beneficial owners are responsible for representing their beneficial interests in the securities, except if the use of the DTC system is required.

To facilitate subsequent transfers, all securities deposited by direct participants will be registered in the name of the issuer or its nominee, Cede & Co., or such other name as may be requested by an authorized representative of the issuer. Beneficial owners will be registered in their registration in the name of Cede & Co.

beneficial ownership. DTC has no knowledge of the actual beneficial owners of the securities held in the accounts of participants to whose accounts such securities are credited, which may or may not be the beneficial owners. DTC and its participants remain responsible for keeping records of the beneficial owners.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants, and indirect participants to beneficial owners will be governed by arrangements among them.

None of DTC, Cede & Co., or any other DTC nominee will consent or vote on behalf of any participant in accordance with DTC's procedures. Under its usual procedures, DTC will not vote on behalf of any participant on the regular record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to the beneficial owners whose securities are credited on the regular record date. These participants may, however, vote on behalf of their beneficial owners.

We will make payments of principal, any premium, interest, or other amounts due on the securities to the beneficial owners of the securities through Cede & Co., or any other nominee as may be requested by an authorized representative of the beneficial owners. Payments to the accounts upon DTC's receipt of funds and corresponding detail information from us will be made to the respective holdings shown on DTC's records. Payments by participants to beneficial owners will be the responsibility of these participants and not of DTC or any other party, subject to customary practices, as is the case with securities held for the accounts of customers in the ordinary course of business. Payment of principal and any premium or interest to Cede & Co., or any other authorized representative of DTC, is our responsibility. Disbursement of the payments to the beneficial owners will be the responsibility of the disbursement of the payments to the beneficial owners.

We will send any redemption notices to DTC. If less than all of the securities of a series are to be redeemed, we will send to DTC a lot the amount of the interest to be redeemed.

DTC may discontinue providing its services as depository for the securities at any time. If DTC discontinues its services, a successor securities depository is not required to continue the services.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC.

Each series of securities represented by a global security sold or traded outside the United States is cleared through Euroclear, which provide clearing, settlement, depository, and related services for international securities. Euroclear and Clearstream provide a clearing and settlement organization for cross-border bonds, equities, and investment funds in Europe. Euroclear is located in Luxembourg.

Euroclear and Clearstream are securities clearance systems in Europe that clear securities through electronic, book-entry delivery of securities against payment. Euroclear and Clearstream are not depositories. In addition, if DTC is the depository for a global security, Euroclear and Clearstream may hold securities on behalf of DTC. As long as the securities are held by Euroclear and Clearstream, they will be held in the name of the issuer.



depository, you may hold an interest in the global security only through an organization such as Euroclear or Clearstream. If Euroclear or Clearstream is the depository for a global security and there is no other system available to hold interests in that global security through any securities clearance system in the United States, you will receive notices, and other matters relating to the securities made through Euroclear or Clearstream. Those systems could change their rules and procedures at any time. We have no control over those systems and take no responsibility for their activities. Transactions between participants in Euroclear or Clearstream are governed by the other hand, when DTC is the depository.

Investors will be able to make and receive through Euroclear and Clearstream payments and interest on securities held through those systems only on days when those systems are open for business on days when banks, brokers, and other institutions are open for business. In the event of time differences, United States investors who hold their interests in the securities through those systems may not be able to make or make a payment or delivery or exercise any other right with respect to their interests, or receive interest, until the next business day in Luxembourg or Brussels, as applicable. The particular day may need to act before the expiration date. In addition, investors who hold securities through Euroclear or Clearstream may need to make special arrangements to finance any purchases or sales of securities through those clearing systems, and those transactions may settle later than would be the case if the securities were held through a clearing system in the United States.

As an indirect owner, an investor's rights relating to a global security will be governed by the laws of the investor's financial institution or other intermediary through which it holds its interest (including the laws of the United States) as well as general laws relating to securities transfers. We do not recognize this type of investment structure. We deal only with the depository that holds the global security. If securities are issued through a depository, we will not deal with investors who do not deal with the depository.

an investor cannot cause the securities to be registered in his or her name or the name of any other person or her interest in the securities.

an investor will be an indirect holder and must look to his or her intermediary for the securities.

an investor may not be able to sell interests in the securities to a third party without the approval of the depository or other intermediary.

an investor may not be able to pledge his or her interest in a global security to a lender or other beneficiary unless the securities must be delivered to the lender or other beneficiary.

the depository's policies will govern payments, deliveries, transfers, and other matters relating to an investor's interest in a global security.

we, the Trustee, and any warrant agents will not be responsible for any loss of interest or principal on securities held through a depository.

we, the Trustee, and any v

the depository may require that those who purchase and sell into  
immediately available funds, and

financial institutions that participate in the depository's book-er  
interest in the global securities, directly or indirectly, also may have t  
exchanges, notices, and other matters relating to the securities. Tho  
you hold an interest in a global security through Euroclear  
Clearstream, as applicable, will require those who purchase and sell  
available funds and comply with other policies and procedures, in  
that are to be effected on a particular day. There may be more than o  
investor. We do not monitor and are not responsible for the policies o

Receipt by owners of beneficial interests in a temporary global security of paym  
interests will be subject to the restrictions discussed under "Limitations on

If interest is paid on a bearer global security, or if no interest has been paid b  
reasonable period of time after the restricted period (as defined in applicable US Treas  
with a certificate to the effect that the owners of the beneficial interests in the bearer  
permitted to hold bearer

In general, US persons that are permitted to hold bearer debt securities are US person  
certain US financial institutions and certain US financial institutions that hold the bearer  
the bearer debt securities on their own account through a foreign branch. The certificate  
the end of the restricted period, but in no event later than the date when interest is paid. T

#### LIMITATIONS ON ISSUANCE OF BEARER DEBT SECURIT

In compliance with US federal income tax laws and regulations, bearer debt securitie  
be offered, sold, resold or delivered, directly or indirectly, in the United States or its po  
except as otherwise permitted by certain US Treasury regulations. Any underwriters, de  
securities, directly or indirectly, must agree that they will not, in connection with the o  
"restricted period" (as defined in the Treasury regulations) offer, sell, resell or deliver, dir  
States or to United States persons, other than as permitted by the Treasury regulations.  
procedures reasonably designed to ensure that their employees or agents who are directl  
restrictions on the

We will not deliver a bearer debt security (other than a temporary global bearer de  
interest on any bearer debt security until we have received the written certification pro  
than a temporary global bearer debt security, will bear the following legend on the fa

"Any United States person who holds this obligation will be subject to limitations provided in S

The legend also will be evidenced on any book-entry sy

The sections referred to in the legend provide, in general, that a US taxpayer who realized on the sale, exchange or redemption of the bearer security and any gain which ordinary income, unless the taxpayer is, or holds the bearer security or coupon through, a

For these purposes, "United States" means the United States of America (includ

a corporation, partnership, or other business entity created or organized under the laws of a political

an estate whose income is subject

a trust, if a court within the United States is able to exercise primary or substantial control over the United States persons h

The prospectus supplement relating to bearer warrants will describe any limitations (including a requirement that a certificate of non-US beneficial o

## PLAN OF DISTRIBUTION

W

to underwriters (including Bear Stearns) or dealers, who may act

through broker-dealers (including Bear S

directly to the public through Bear Stearns utilizing DAiSS<sup>SM</sup> (Dut proprietary, single-priced, modified Dutch Auction syndi

Each prospectus supplement will describe th

whether that offering is

the rules and pro

any underwriting discounts, dealer concessions, agency commiss

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the

any securiti

We may enter into derivative or other hedging transactions with financial institutions to hedge their position, deliver this prospectus in connection with some of our securities, or deliver this prospectus to close out any loan of securities.

We may effect sales of securities in connection with forward sale agreements with financial institutions. A forward sale agreement may be effected from time to time in one or more transactions, through broker-dealer trades or ordinary broker's transactions, or through broker-dealers acting either as principal or agent, through an underwritten public offering, or through a combination of any such methods. We may determine the prices relating to such sales.

We may also sell securities short using this prospectus and deliver securities covering such short positions, or loan or pledge securities to financial institutions.

We may pledge or grant a security interest in some or all of the securities covering our obligations, our position or other obligation and, if we default in the performance of our obligations, the pledge or security interest may be enforced.

When securities are to be sold to underwriters, we will execute an underwriting agreement with them in the prospectus supplement. Unless otherwise set forth in the applicable prospectus supplement, those securities will be subject to certain conditions set forth in the underwriting agreement. The underwriters will be obligated to purchase all of the securities. The underwriters will acquire the securities from us, either directly to the public or to securities dealers, at various times in one or more transactions, at a fixed public offering price or at varying prices determined at the time of sale. The underwriters and those dealers may receive discounts, concessions, or commissions from the underwriting.

We may offer and sell securities from time to time to one or more dealers who will resell the offered securities to the public at fixed or varying prices to be determined from time to time. The names of the dealers and the terms of the transaction in the prospectus supplement will describe the concessions allowed or realized.

We may offer and sell securities on a continuous basis through agents that become known to us from time to time. We will name any agent involved in the offer and sale and describe any commissions payable to the agent.

the prospectus supplement, the agent will be ac

To the extent that any securities underwritten by Bear Stearns are not resold by the offering price, the proceeds from the offering of those securities will be reduced. Until they are resold, they will be treated as if they were not outstanding. Bear Stearns intends to resell any of those securities at varying prices related to prevailing market prices at the time of sale.

Securities bought in accordance with a redemption or repayment under their respective applicable prospectus supplement, in connection with a remarketing by one or more firms for us. Any remarketing firm will be identified and the terms of its agreement, if any, will be set forth in the applicable prospectus supplement. Remarketing firms may be deemed to be underwriters.

If so indicated in the applicable prospectus supplement, we will authorize agents, underwriters and institutions to purchase securities at the public offering price set forth in the prospectus supplement providing for payment and delivery on a future date specified in the prospectus supplement. The date set forth in the applicable prospectus supplement, and the prospectus supplement will be set forth in the applicable prospectus supplement.

Underwriters, dealers and agents participating in any distribution of securities under the Securities Act and any discounts or commissions they receive in connection with the distribution of securities. Those underwriters and agents may be entitled, under their agreements with us, to indemnification from our liabilities under the Securities Act, or to contribution by us to payments that they may be required to make. Various of those underwriters or agents may be customers of, or engage in transactions with, us.

Following the initial distribution of any series of securities (and in the case of securities that are exempt from the NYSE), Bear Stearns may offer and sell previously issued securities in connection with those securities as a broker-dealer. Bear Stearns may act as principal or agent in those transactions. The terms of the prospectus supplement applicable to those securities in connection with those transactions. Sales will be made at the public offering price of sale or at related or negotiated prices. Our other affiliates, including BSIL, may also engage in such sales.

The aggregate initial offering price specified on the cover of this prospectus relates to the securities to be sold on the date of this prospectus. This amount does not include the securities to be sold in market-making transactions issued after the date of this prospectus, as well as securities previously issued. Information regarding the purchase price, for a market-making transaction will be provided to the purchaser in a separate document you in your confirmation of sale that your security is being purchased in its original offering.

In order to facilitate the offering of certain securities under this Registration Statement, participating in the offering of those securities may engage in transactions that stabilize during and after the offering of those securities. Specifically, if the applicable prospectus may over-allot or otherwise create a short position in those securities for their own account to them by us and may elect to cover any such short position.

In addition, the underwriters may stabilize or maintain the price of those securities in the market and may impose penalty bids, under which selling concessions allowed to syndicate offering are reclaimed if securities previously distributed in the offering are repurchased. The effect of these transactions may be to stabilize or maintain the market price of the securities in the open market. The imposition of a penalty bid may also affect the price of securities. No representation is made as to the magnitude or effect of any such stabilization or other transaction.

Each series of offered securities will be a new issue of securities and will have no established market. Offered securities are sold for public offering and sale may make a market in such offered securities and may discontinue any market-making at any time without notice. The offered securities may be listed on a national securities exchange. No assurance can be given as to whether such securities will be listed on any exchange.

The underwriters, dealers and agents, and their affiliates may be customers of, engaged in business with, or have other relationships with the issuer.

This prospectus, the applicable prospectus supplement and any applicable pricing supplement may be accessed on the Internet sites of, or through other online services maintained by, us and/or one or more of our agents, dealers or other participants in the offering of securities, or by their affiliates. In those cases, prospective investors may be able to access the prospectus, the applicable prospectus supplement, or the applicable pricing supplement through a particular agent or dealer, or through an online service.

Other than this prospectus, the applicable prospectus supplement and any applicable pricing supplement on our or any agent's or dealer's web site and any information contained in any other website, the applicable prospectus supplement and any applicable pricing supplement have not been approved or endorsed by us or by any agent or dealer in its capacity as a participant in the offering of securities on its respective web site maintained by it.

We may from time to time offer securities directly to the public through Bear Stearns and Company's single-priced, modified Dutch Auction syndication system for the pricing and allocation of securities. Investors may participate, through Internet access to an auction site, by submitting conditional offers to purchase securities. The auction is conducted by Bear Stearns and Company, as underwriter, and which may be subject to the terms and conditions of the auction.

The final offering price at which securities will be sold and the allocation of securities will be determined by the auction, subject to the terms and conditions of the auction.

During an auction, DAiSS<sup>SM</sup> will present to each bidder, on a real-time basis, the on the bids submitted and not withdrawn, and whether a bidder's individual bids would auction, the offering price of the securities will be the lowest spread at which the aggregate that spread and lower spreads equals or exceeds the size of the offering as disclosed in the offering circular. If DAiSS<sup>SM</sup> is utilized, prior to the auction we and Bear Stearns will establish minimum bid and specific rules governing the auction process, all of which will be made available to bidders.

Bids at a lower spread than the final clearing spread will be fully allocated. Bids at a higher spread than the final clearing spread will be allocated on a pro-rata basis. Bids at the final clearing spread will be fully allocated. Bids at the final clearing spread of submission and pursuant to the allocation procedures in the auction rules. Bids at a higher spread than the final clearing spread will be allocated on a pro-rata basis.

If an offering is made using DAiSS<sup>SM</sup> you should review the auction rules, the offering circular, the prospectus supplement, and the offering memorandum.

The maximum commission or discount to be received by any NASD member or other person acting as a dealer in connection with the offering will be no more than one percent of the gross proceeds from the offering.

Because Bear Stearns and BSIL are our wholly owned subsidiaries, each distribution of securities by Bear Stearns or BSIL is subject to Rule 2720 of the NASD Conduct Rules. Furthermore, any underwriters offering the offering are subject to Rule 2720 of the NASD Conduct Rules, which they exercise discretion in applying.

## ERISA CONSIDERATIONS

Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), prohibits certain other transactions involving the assets of plans that are qualified under the Code ("IRAs") and persons who have certain specified relationships to them. Section 406 of the Code, as amended ("ERISA"), prohibits similar transactions involving employee benefit plans that are qualified under the Code.

Persons who have such specified relationships are referred to as "parties in interest" under the Code. "Parties in interest" and "disqualified persons" encompass a wide range of persons, including (but not limited to) any person providing services (for example, a broker), any person who is a member of the Plan, and certain other persons.

The purchase and/or holding of securities by a Plan with respect to which we, Bear Stearns, or any of our affiliates, or any of our service providers (or otherwise is a "party in interest" or "disqualified person") under ERISA or Section 4975 of the Code, unless such securities are acquired through a statutory or administrative exemption. Each of us, Bear Stearns and BSSC is considered a "party in interest" under ERISA with respect to many Plans, although we are not a "disqualified person" under ERISA with respect to many Plans, although we are not a "disqualified person" established with Bear Stearns or because Bear Stearns provides brokerage to the IRA, a "party in interest" to any IRA other than certain employer-sponsored IRAs.



Applicable exemptions may include certain prohibited transaction class exemptions ("PTCE") 84-14 relating to qualified professional asset managers, PTCE 96-23 relating to bank collective investment funds, PTCE 90-1 relating to insurance company separate general accounts). A fiduciary of a Plan purchasing the securities, or in the case of certain of the securities for the IRA, shall be deemed to represent that its purchase, holding, and transaction under ERISA or Section

A fiduciary who causes a Plan to engage, directly or indirectly, in a non-exempt transaction under ERISA, and may be liable for any losses to the Plan resulting from such transaction. Disqualified persons who engage, directly or indirectly, in similar types of non-exempt transactions

In accordance with ERISA's general fiduciary requirements, a fiduciary with respect to the purchase of securities on behalf of such plan should consider the foregoing information and the information provided in the prospectus and any applicable pricing supplement, and determine whether such purchase is permitted under the plan and appropriate for the ERISA Plan in view of its overall investment policy and the composition of the Plan established with, or for which services are provided by, us, Bear Stearns, BSSC and/or other persons in making any acquisition. Each purchaser of any securities, the assets of which constitute the Plan, who directs such purchaser with respect to the purchase or holding of such securities, will be deemed to represent that such securities does not constitute a prohibited transaction under Section 406 of ERISA.

Certain employee benefit plans, such as governmental plans (as defined in Section 408(a) of the Code), Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA), are not subject to the foregoing provisions of ERISA or the Code. Fiduciaries of such plans should consider the foregoing provisions of ERISA or the Code. Each fiduciary of such a plan will be deemed to represent that the plan's acquisition and

## EXPERTS

The consolidated financial statements and the related financial statement schedule included in this Report on Form 10-K for the year ended November 30, 2003 have been incorporated by reference to the report of Deloitte & Touche LLP, an independent registered public accounting firm, as stated in Item 15 of this Report on Form 10-K, by reference, and have been so incorporated in reliance upon the reports of such firm given

With respect to the unaudited interim financial information for the periods ended February 28, 2003, May 31, 2003 and August 31, 2003, which is incorporated by reference in this Report on Form 10-K, independent registered public accounting firm, have applied limited procedures in accordance with the standards of the Public Company Accounting Oversight Board (United States) for a review of such information. However, as stated in Item 15 of this Report on Form 10-Q for the quarters ended February 29, 2004, May 31, 2004 and August 31, 2004,

did not audit and they do not express an opinion on the interim financial information. A  
information should be restricted in light of the limited nature of the review procedures ap  
provisions of Section 11 of the Securities Act for their reports on the unaudited interim fin  
or a "part" of the registration statement prepared or certified by Deloitte & Touche LLP

**VALIDITY OF THE SECURIT**

The validity of the debt securities, the warrants, the preferred stock and the

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**You should only rely on the information contained in this pricing supplement, prospectus. We have not authorized anyone to provide you with information or to provide you with this pricing supplement, the accompanying prospectus supplement and prospectus information, you should not rely on it. This pricing supplement, the accompanying prospectus supplement, to sell these securities, and these documents are not soliciting an offer to buy these securities. This offering is not permitted. You should not under any circumstances assume that the information contained in this pricing supplement, prospectus supplement and prospectus**

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**The Bear Stearns Compa**

**\$15,600,000**

**Medium-Term Notes, Se**

**Principal Protected Note  
Linked to a Basket of Common**

**Potential 2.50% Semi-Annual Coupon  
is 5.00% Annualized Coupon**

**Due July 29, 2011**

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**PRICING SUPPLEMENT**

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Hypothetical Cash Settlement Value Plus Interest Payments Using Historical Data of the

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CERT.

LIMITATIONS ON ISSUANCE OF BEA