BEAR STEARNS COMPANIES INC
Form 424B5
September 18, 2006

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Subject to Completion, dated September 18, 2006

PRICING SUPPLEMENT

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

The Bear Stearns Companies Inc.

$[ ] Medium-Term Notes, Linked to the Performance of the U.S. Adagio Strategy Index Due October [14], 2011

The Notes are fully principal protected if held to maturity. When we refer to Notes in this pricing supplement, we mean Notes with a principal amount of $1,000. At maturity you will receive 100% of the principal amount of each of your Notes.

Annual coupons, if any, on the Notes are based on the performance of the U.S. Adagio Strategy Index (the "Index"). The Index replicates a strategy based on the relative weighting of the three U.S. asset classes (equities, real estate and investment-grade debt securities) that are represented by the S&P 500® Index, the iShares® Dow Jones U.S. Real Estate Index Fund and The iShares® Lehman Aggregate Bond Fund (collectively, the "Components").

The relative weighting of each Component in the Index is rebalanced on a monthly basis. The percentage weightings of the Real Estate Component and the Equity Component in a given month are determined by a formula which utilizes the monthly returns of the Real Estate Component and the Equity Component for each of the trailing 12 months subject to a minimum weighting of 0% and a maximum weighting of 50% each. The Bond Component is the residual Component. Its weighting is the percentage, if any, required to make the sum of all Components equal 100%.

The Notes will pay a coupon, if any, on the third business day following October [10] of each year (or if October [10] is not a trading day, the following trading day) commencing October [15], 2007 up to and including maturity.

On each coupon payment date you will receive $1,000 multiplied by the percentage increase, if any, of the Index relative to the Initial Index Level minus the sum of the amounts of all previously paid coupons. If this calculation results in an amount less than or equal to zero, there will be no coupon payment for that year.

The CUSIP number for the Notes is 073928R62.

INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. THERE MAY NOT BE AN ACTIVE SECONDARY MARKET IN THE NOTES, AND IF THERE WERE TO BE AN ACTIVE SECONDARY MARKET, IT MAY NOT BE LIQUID. YOU SHOULD REFER TO "RISK FACTORS" BEGINNING ON PAGE PS-13.

The U.S. Adagio Index is the exclusive property of Bear Stearns International Limited, one of our affiliates, which has contracted with Standard & Poor's, a division of the McGraw-Hill Companies ("S&P", or the "Strategy Sponsor"), to maintain and calculate the Index. The Equity Component is a service mark or trademark of S&P and, if required, has been licensed for use by The Bear Stearns Companies Inc. S&P shall have no liability for any errors or omissions in calculating the Index or the Equity Component. The Notes are not sponsored, endorsed, sold or promoted by S&P; and S&P makes no representations regarding the advisability of investing in the Notes.

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

	Per Note	Total
Initial public offering price(1)	[100.00]%(2)	$[ ]
Agent's discount	[ ]%	$[ ]
Proceeds, before expenses, to us	[ ]%	$[ ]

(1) Investors who purchase an aggregate amount of at least $1,000,000 of Notes will be entitled to purchase such Notes for 99.00% of the principal amount.

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

We may grant Bear, Stearns & Co. Inc. a 30-day option from the date of this pricing supplement to purchase from us up to an additional $[ ] of Notes at the public offering price to cover any over-allotments. We expect that the Notes will be ready for delivery in book-entry form only through the book-entry facilities of The Depository Trust Company in New York, New York, on or about October [ ], 2006, against payment in immediately available funds. The distribution of the Notes will conform to the requirements set forth in Rule 2720 of the Conduct Rules of the National Association of Securities Dealers, Inc.

Bear, Stearns & Co. Inc.

October [ ], 2006

SUMMARY

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

The Bear Stearns Companies Inc. Medium-Term Notes, Series B, Linked to the Performance of the U.S. Adagio Strategy Index, Due October [14], 2011 (the "Notes") are Notes with an annual coupon tied or "linked" to the potential positive performance of the U.S. Adagio Strategy Index (the "Index"). The Index replicates a strategy that selects dynamically from three U.S. asset classes (equities, real estate and investment-grade debt securities) according to the previous 12 monthly returns of the S&P 500® Index, iShares® Dow Jones U.S. Real Estate Index Fund and the iShares® Lehman Aggregate Bond Fund. When we refer to Note or Notes in this pricing supplement, we mean $1,000 principal amount of Notes. The Notes are principal protected if held to maturity. On the Maturity Date, you will receive 100% of the principal amount of each of your Notes.

The Notes will pay a coupon, if any, on the third business day following October [10] of each year (or if October [10] is not a trading day, the following trading day) commencing October [15], 2007. The final Coupon Payment Date is the same day as the Maturity Date. For each Note you hold, on each Coupon Payment Date you will receive an amount equal to $1,000 multiplied by the percentage increase, if any, of the Index Level relative to the Initial Index Level minus the sum of the amounts of all previously paid coupons. If, as of any Calculation Date, this calculation results in an amount less than or equal to zero, there will be no coupon payment for that year.

Selected Investment Considerations

Principal protection Because the Notes are principal protected if held to maturity, in no event will you receive less than $1,000 per Note at maturity.

Annual Coupon Coupon payments depend on the performance of the Index relative to the Initial Index Level. Whether a coupon is paid on a given Coupon Payment Date is based on (i) the gains, if any, made in the Index Level since the Initial Calculation Date and (ii) the sum of all previously paid coupons. Each annual coupon cannot be less than zero.

Diversification The Index is dynamically weighted and comprised of the following three components: (1) the S&P 500® Index; (2) the iShares® Dow Jones U.S. Real Estate Index Fund; and (3) the iShares® Lehman Aggregate Bond Fund, each as further described herein. Therefore, the Notes may allow you to diversify an existing portfolio or investment.

Minimum investment The minimum purchase is $1,000, with increments of $1,000 thereafter.

Taxes For U.S. federal income tax purposes, we intend to treat the Notes as contingent payment debt instruments. As a result, you will be required to include original issue discount ("OID") in income during your ownership of the Notes based on the comparable yield of the Notes, subject to adjustments based on the actual coupon payments made on the Notes.

Additionally, you will generally be required to recognize ordinary income on the gain, if any, realized on a sale, upon maturity, or other disposition of the Notes. You should review the discussion under the section entitled "Certain U.S. Federal Income Tax Considerations" in this pricing supplement.

Selected Risk Considerations

The level of the Index cannot be predicted We and our affiliates developed the Index. Neither the Notes nor the Index have a trading history. The future performance of the Index is impossible to predict and, therefore, no future performance of the Notes or the Index may be inferred from any of the historical simulations or any other information set forth herein. Because it is impossible to predict the Index, the Notes could, in some situations make no coupon payment, or a coupon payment that is less then prevailing interest rates.

Not exchange-listed The Notes will not be listed on any securities exchange, and we do not expect a trading market to develop, which may affect the price that you receive for your Notes upon any sale prior to maturity.

Liquidity If a trading market were to develop in the Notes, it may not be liquid. Our subsidiary, Bear, Stearns & Co. Inc. has advised us that they intend under ordinary market conditions to indicate prices for the Notes on request. However, we cannot guarantee that bids for outstanding Notes will be made and we cannot predict the price at which any such bids will be made.

Possible loss of value in the secondary market Your principal investment in the Notes is protected only if you hold your Notes to maturity. If you sell your Notes prior to maturity, you may receive less than the amount you originally invested.

Yield The receipt of any coupon depends on any upward performance of the Index relative to past Calculation Dates. The level of the Index cannot be predicted, therefore the yield on the Notes may be less than the overall return you would earn if you purchased a conventional debt security at the same time and with the same maturity. If there is no upward movement of the Index, you will receive no coupon.

KEY TERMS

Issuer:	The Bear Stearns Companies Inc.
Index:	The U.S. Adagio Strategy Index (the "Index") is published by the Strategy Sponsor or its designee and displayed on Bloomberg Financial Service (under the symbol ADAGUS <Index>). The Index replicates a strategy based on the relative weightings of the three U.S. asset classes (equities, real estate and government bonds) that are represented by the Components. The relative weighting of each Component in the Index is rebalanced on a monthly basis. The percentage weightings of the Real Estate Component and the Equity Component in a given month are determined by a formula which utilizes the monthly returns of the Real Estate Component and the Equity Component for each of the trailing 12 months. The percentage weightings of the Real Estate Component and the Equity Component are each subject to a minimum weighting of 0% and a maximum weighting of 50% each. The Bond Component is the residual Component. Its weighting is the percentage, if any, required to make the sum of all Component weightings equal 100%.
Face amount:	The Notes will be denominated in U.S. dollars. Each Note will be issued in minimum denominations of $1,000 with amounts in excess thereof in integral multiples of $1,000; provided, however, that the minimum purchase for any purchaser domiciled in a Member state of the European Economic Area shall be $100,000. The aggregate principal amount of the Notes being offered is $[ ]. When we refer to Note or Notes in this pricing supplement, we mean Notes with a principal amount of $1,000.
Further Issuances:	Under certain limited circumstances, and at our sole discretion, we may offer further issuances of the Notes. These further issuances, if any, will be consolidated to form a single series with the Notes and will have the same CUSIP number and will trade interchangeably with the Notes immediately upon settlement.
Strategy Sponsor:	Standard & Poor's, a division of the McGraw-Hill Companies ("S&P")
Coupon:	The Notes will pay a coupon, if any, on the third business day following October [10] of each year (or if October [10] is not a trading day, the following trading day) commencing October [15], 2007 (each a "Coupon Payment Date"). The final Coupon Payment Date is the same day as the Maturity Date. For each Note you hold, on each Coupon Payment Date you will receive $1,000 multiplied by the percentage, if any, increase of the Index Level as of the applicable Calculation Date relative to its Initial Index Level minus the sum of the amounts of all previously paid coupons. If, as of any Calculation Date, this calculation results in an amount less than or equal to zero, there will be no coupon payment for that year.
Index Level:	As of any date of determination, the closing level of the Index for such date as determined by the Strategy Sponsor or its designee and displayed on Bloomberg Financial Service (under the symbol ADAGUS <Index>).

The Index Level will be calculated on each day the Closing Level of the Equity Component is published by its Component Sponsor and the Closing Level of each of the Real Estate Component and the Bond Component is available on its respective primary exchanges. The Index Level will equal the sum of (a) the Index Level last published and (b) the product of (x) the Index Level last published multiplied by (y) the sum of the product of (i) the daily percentage change in the Closing Level of each Component multiplied by (ii) its respective Component weighting in the Index as of such date. In addition, the Index Level will be adjusted downwards by a monthly amount equal to 0.225% applied pro rata on a daily basis, as described in "Description of the Notes Index Level."

Closing Level: With respect to the Equity Component, as of any date of determination, the official closing level as published by its Component Sponsor; with respect to the Real Estate Component, as of any date of determination, the official closing price on its primary exchange as reported in the official price determination mechanism for such primary exchange; and with respect to the Bond Component, as of any date of determination, the sum of (i) the official closing price on its primary exchange as reported in the official price determination mechanism for such primary exchange plus (ii) the reinvestment of any distributions or dividends received in respect of such investment. With respect to any other security on any date, Closing Level means the last reported sales price regular way on such date or, if no such reported sale takes place on such date, the average of the reported closing bid and asked price regular way on such date, in either case on the primary organized exchange or trading system on which such security is then listed or admitted to trading.

Initial Calculation Date: October [10], 2006

Initial Index Level: The Index Level, as determined by the Strategy Sponsor on the Initial Calculation Date.

Calculation Date: October [10] of each year (or if October [10] is not a trading day, the following trading day) commencing on the Initial Calculation Date.

Maturity Date: The Notes will mature on October [14], 2011.

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

Components:

The S&P 500® Index (the "Equity Component") (Bloomberg Ticker: <Index>):

Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure the performance of the broad domestic U.S. economy through changes in the aggregate market value of 500 stocks representing all major industries.

The iShares® Dow Jones U.S. Real Estate Index Fund (the "Real Estate Component") (Bloomberg Ticker: IYR <Index>):

iShares® Dow Jones U.S. Real Estate Index Fund is an exchange-traded fund of the iShares Trust, a Delaware statutory trust. The fund's objective is to achieve investment results that correspond generally to the price and yield performance, before fees and expenses, of the Dow Jones U.S. Real Estate Index. The fund is traded on the New York Stock Exchange.

The iShares® Lehman Aggregate Bond Fund (the "Bond Component") (Bloomberg Ticker: AGG US <Equity>):

iShares® Lehman Aggregate Bond Fund is an exchange-traded fund of the iShares Trust, a Delaware statutory trust. The fund's objective is to achieve investment results that correspond generally to the price and yield performance, before fees and expenses, of the total United States investment grade bond market as defined by the Lehman Brothers U.S. Aggregate Index. The fund is traded on the American Stock Exchange.

Component Sponsor: The Component Sponsor for each Component is as indicated below:

With respect to the S&P 500® Index, Standard & Poor's, a division of the McGraw-Hill Companies.

With respect to the iShares® Dow Jones U.S. Real Estate Index Fund, Barclays Global Fund Advisors.

With respect to iShares® Lehman Aggregate Bond Fund, Barclays Global Fund Advisors.

Calculation Agent: Bear, Stearns & Co. Inc. All determinations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will be conclusive for all purposes and binding on us and the beneficial owners of the Notes, absent manifest error.

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

QUESTIONS AND ANSWERS

What are the Notes?

The Notes are a series of our senior debt securities that are principal protected if held to maturity. See the section "Risk Factors."

The Notes will mature on the Maturity Date. The Notes do not provide for earlier redemption. When we refer to Notes in this pricing supplement, we mean Notes with a principal amount of $1,000. You should refer to the section "Description of the Notes."

Are the Notes equity or debt securities?

The Notes are our unsecured debt securities. The Notes are principal protected if held to maturity. However, the Notes differ from traditional debt securities in that the Notes offer the opportunity to participate in any percentage increase of the Index Level relative to its level as of the Initial Calculation Date.

Will I receive interest on the Notes?

For each Note you hold, on each Coupon Payment Date you will receive $1,000 multiplied by the percentage increase, if any, of the Index Level as of the applicable Calculation Date relative to the Initial Index Level minus the sum of the amounts of all previously paid coupons. If, as of any Calculation Date, this calculation results in an amount less than or equal to zero, we will not pay an annual coupon for that year.

For more specific information about the coupon, you should refer to "Description of the Notes."

What does "principal protected" mean and what will I receive at maturity of the Notes?

"Principal protected" means that at maturity your principal investment in the Notes will not be at risk as a result of a decrease in the Index Level. You may receive less than the principal amount of the Notes if you sell your Notes prior to maturity.

What is the Index and who publishes it?

The Strategy Sponsor, S&P, computes and publishes the Index. The Index is the exclusive property of Bear Stearns International Limited, one of our affiliates, which has contracted with the Strategy Sponsor to maintain and calculate the Index. The Strategy Sponsor shall have no liability for any errors or omissions in calculating the Index. The Notes, which are linked to the performance of the Index, are not sponsored, endorsed, sold or promoted by the Strategy Sponsor; and the Strategy Sponsor makes no representations regarding the advisability of investing in the Notes.

The Index replicates a strategy based on the relative weighting of the three U.S. asset classes (equities, real estate and investment-grade debt securities) that are represented by the Components. The relative weighting of each Component in the Index is rebalanced on a monthly basis. The percentage weightings of the Real Estate Component and the Equity Component in a given month are determined by a formula which utilizes the monthly returns of the Real Estate Component and the Equity Component for each of the trailing 12 months. The percentage weightings of the Real Estate Component and the Equity Component are each subject to a minimum weighting of 0% and a maximum weighting of 50% each. The Bond Component is the residual Component. Its weighting is the percentage, if any, required to make the sum of all Component weightings equal 100%.

The Index Level will be adjusted downwards by a monthly amount equal to 0.225% applied pro rata on a daily basis.

For more specific information about the Index, please see the sections "Description of the Notes" and "Hypothetical Historical Performance Data."

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

Unless otherwise stated, all information regarding the Components that is provided in this pricing supplement is derived from the Component Sponsors or other publicly available sources.

S&P 500® Index. The S&P 500® Index is a free-float weighted stock index published by Standard & Poor's and is intended to track the price movements of the common stocks comprising the S&P 500® Index. As of September 14, 2006, the common stocks of 424 companies, or 84.87% of the market capitalization of the S&P 500® Index, were traded on the New York Stock Exchange and the common stocks of 76 companies, or 15.2% of the market capitalization of the S&P 500® Index, were traded on The Nasdaq Stock Market. The S&P 500® Index is quoted in U.S. dollars. You can obtain the level of the S&P 500® Index from the Bloomberg Financial Service under the symbol SPX <Index> or from the S&P website at http://www.spglobal.com.

iShares® Dow Jones U.S. Real Estate Index Fund. The objective of the iShares® Dow Jones U.S. Real Estate Index Fund is to achieve investment results that correspond generally to the price and yield performance, before fees and expenses, of the Dow Jones U.S. Real Estate Index.

The Dow Jones U.S. Real Estate Index measures the performance of the real estate sector of the U.S. equity market and includes companies in the following sub-sectors: real estate holding and development and real estate investment trusts. The iShares® Dow Jones U.S. Real Estate Index Fund uses a "Representative Sampling" strategy to try to track the Dow Jones U.S. Real Estate Index and, according to the Component Sponsor, will concentrate its investments in a particular industry or group of industries to approximately the same extent as the Dow Jones U.S. Real Estate Index is so concentrated. As of September 12, 2005, the iShares® Dow Jones U.S. Real Estate Index was concentrated in the real estate sector, which comprised 99.92% of the market capitalization of the iShares® Dow Jones U.S. Real Estate Index. You can obtain the Closing Level of the iShares® Dow Jones Real Estate Index Fund from the Bloomberg Financial Service under the symbol IYR <Index> or from the iShares® website at http://www.ishares.com/fund_info/detail.jhtml?symbol=IYR&qt=IYR.

iShares® Lehman Aggregate Bond Fund. The objective of the iShares® Lehman Aggregate Bond Fund is to achieve investment results that correspond generally to the price and yield performance, before fees and expenses, of the total United States investment grade bond market as defined by the Lehman Brothers U.S. Aggregate Index. The iShares® Lehman Aggregate Bond Fund uses a "Representative Sampling" strategy in seeking to track the Lehman Brothers U.S. Aggregate Index.

The Lehman Brothers U.S. Aggregate Index measures the performance of the U.S. investment grade bond market, which includes investment grade U.S. Treasury bonds, government-related bonds, investment grade corporate bonds, mortgage pass-through securities, commercial mortgage-backed securities and asset-backed securities that are publicly offered for sale in the United States. The securities in the Lehman Brothers U.S. Aggregate Index must have $250 million or more of outstanding face value and must have at least one year remaining to maturity. In addition, the securities must be denominated in U.S. dollars and must be fixed rate and non-convertible. Certain types of securities, such as state and local government series bonds, structured notes with embedded swaps or other special features, private placements, floating rate securities and Eurobonds are excluded from the Lehman Brothers U.S. Aggregate Index. The Lehman Brothers U.S. Aggregate Index is market capitalization weighted and the securities in the Index are updated on the last calendar day of each month. You can obtain the Closing Level of the iShares® Lehman Aggregate Bond Fund from the Bloomberg Financial Service under the symbol AGG US <Equity> or from the iShares® website at http://www.ishares.com/fund_info/detail.jhtml?symbol=AGG&qt=AGG.

How have the Index and Components performed historically?

We have provided hypothetical historical performance data which represents the returns of hypothetical investments issued at set intervals in the past, the performance of which is linked to the Index (including the minimum and maximum weighting constraints with respect to the Components and the daily deduction of the Index Adjustment Factor). See generally, "Hypothetical Historical Performance Data". For comparison purposes, we have also provided the hypothetical performance of a static equally-weighted basket of the Components issued at the same set intervals.

The hypothetical historical performance data should not be taken as an indication of either the future performance of the Index over the term of the Notes or the future annual coupon payments. In addition, you should understand that this hypothetical historical performance data is based on hypothetical returns for periods of time which in some cases are different than the term of the Notes and, therefore, may not fully account for the longer-term market trends that are more likely to be captured in a note with this term.

You should note that although the hypothetical historical performance data set forth herein shows the hypothetical performance of a series of investments linked to the Index and compares that hypothetical performance to the actual performance of a static equally-weighted basket of the Components without the application of rebalancing. Due to the effects of rebalancing, the weighting of the Components in the examples differs from the weighting in the Index during the same period of time.

You should refer to the sections "Hypothetical Historical Performance Data" and "Risk Factors The pro forma U.S. Adagio Strategy performance may not represent actual performance."

We have also provided tables depicting the highest and lowest daily closing levels or closing prices, as applicable, and the end-of-quarter closing levels or closing prices, as applicable, for the Equity Component and the Real Estate Component for each quarter beginning with April 1, 2001 and for the Bond Component for each quarter beginning at its date of inception, September 26, 2003. You can find these tables in the section "Description of the Components." In each case, the displayed levels were obtained from Bloomberg Financial Service, without independent verification by the Issuer. We have provided this historical information to help you evaluate the behavior of the Components in various economic environments; however, the time period depicted is relatively limited and past performance is not indicative of the manner in which the Components will perform in the future. You should refer to the section "Description of the Components."

Most importantly, investors should understand that historical performance is not indicative of future results.

Will the Notes be listed on a securities exchange?

The Notes will not be listed on any securities exchange, and we do not expect a trading market to develop, which may affect the price that you receive for your Notes upon any sale prior to maturity. If a trading market were to develop in the Notes, it may not be liquid. Our subsidiary, Bear, Stearns & Co. Inc. has advised us that they intend under ordinary market conditions to indicate prices for the Notes on request. However, we cannot guarantee that bids for outstanding Notes will be made; nor can we predict the price at which any such bids will be made. Your principal investment in the Notes is protected only if you hold your Notes to maturity. If you sell your Notes prior to maturity, you may receive less than the amount you originally invested. You should refer to the section "Risk Factors."

What is the role of Bear Stearns?

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

Bear, Stearns & Co. Inc. also will be our Calculation Agent for purposes of calculating the coupons hereunder. Under certain circumstances, these duties could result in a conflict of interest between Bear, Stearns & Co. Inc.'s status as our subsidiary and its responsibilities as Calculation Agent. You should refer to "Risk Factors The Calculation Agent is one of our affiliates, which could result in a conflict of interest."

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

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

Who should consider purchasing the Notes?

Because the Notes are tied to the index level, they may be appropriate for investors with specific investment horizons who seek to participate in the potential appreciation of the Index. In particular, the Notes may be an attractive investment for you if you:

- want exposure to a strategy that selects dynamically from three U.S. asset classes represented by the Components according to the previous 12 monthly returns of each of the Components;
- believe that the Index Level will increase over the term of the Notes; and
- do not want to place your principal at risk and are willing to hold the Notes until maturity.

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

- believe that the Index Level will decrease or stay the same over the term of the Notes;
- seek an investment with an active secondary market; or
- you are unable or unwilling to hold the Notes until maturity.

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

We intend to treat the Notes as contingent payment debt instruments for federal income tax purposes. Therefore, a U.S. Holder of a Note will be required to include OID in gross income over the term of the Note based on the comparable yield of the Notes, subject to adjustments based on the actual coupon payments made on the Notes. The amount of OID includible in each year is based on the "comparable yield." In addition, we will compute a "projected payment schedule" with amounts corresponding to each coupon that produces the comparable yield. The comparable yield and the projected payment schedule are neither predictions nor guarantees of the actual yield on the Notes. If the actual amount of the coupon exceeds the corresponding amount in the projected payment schedule, the excess will be taxed as additional OID income to a U.S. Holder. If the actual amount of the coupon is less than the corresponding amount in the projected payment schedule, the difference will be applied first to reduce the OID accrued for the taxable year in which the coupon is paid, and any excess will be treated as an ordinary loss to the extent of the net ordinary income of the U.S. Holder on the Note, and any remaining amounts will be carried forward to future taxable years. Any negative adjustment carryforward on a Note for the taxable year in which the Note is sold, exchanged or retired will reduce the U.S. Holder's amount realized on the sale, exchange or retirement. Any gain recognized by a U.S. Holder on the sale, exchange or other disposition of a Note will constitute ordinary OID income (rather than capital gain). You should review the discussion under the section entitled "Certain U.S. Federal Income Tax Considerations" in this pricing supplement.

Does ERISA impose any limitations on purchases of the Notes?

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

Are there any risks associated with my investment?

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

RISK FACTORS

Your investment in the Notes will be subject to risks not associated with conventional fixed-rate or floating-rate debt securities. Prospective purchasers should recognize the possibility of a loss with respect to their investment in the Notes. Prospective purchasers of the Notes should understand the risks of investing in the Notes and should reach an investment decision only after careful consideration, with their advisers, of the suitability of the Notes in light of their particular financial circumstances, the following risk factors and the other information set forth in this pricing supplement and the accompanying prospectus supplement and prospectus. These risks include the possibility that the Components will fluctuate. We have no control over a number of matters, including economic, financial, regulatory, geographic, judicial and political events, that are important in determining the existence, magnitude, and longevity of these risks and their influence on the value of, or the payment made on, the Notes.

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

The Notes are designed so that if they are held to maturity, you will receive the amount you originally invested. The price at which you may sell your Notes prior to maturity may be less than the amount you originally invested. Movement in the Index Level cannot be predicted.

You may not receive a coupon.

While you are guaranteed to receive the principal amount of your Note if it is held to maturity, there can be no assurance of the receipt of any coupon on any Coupon Payment Date. Movement in the Index Level cannot be predicted. We and our affiliates developed the Index. We designed the Index to replicate a strategy that selects dynamically from the Components according to the previous 12 monthly returns of the Components. The strategy underlying the Index is based on the proposition that the asset allocation among the three asset classes is optimized by accounting for different timing effects of the return of each of the assets relative to the others. However, neither the Notes nor the Index have a trading history. You should understand that the future performance of the Index is impossible to predict and therefore no future performance of the Notes and the Index may be inferred from any of the historical simulations set forth herein. Because it is impossible to predict the Index, the Notes could, in some situations make no coupon payment, or a coupon payment that is less than prevailing interest rates.

Your yield may be lower than the yield on a conventional debt security of comparable maturity.

The annual coupon on the Notes will vary based on the performance of the Index. As a result, the interest amount we will pay on the Notes may be less than what you would have earned by investing in a non-indexed debt security of comparable maturity that bears interest at a prevailing market rate. In addition, any return may not fully compensate you for any opportunity cost to you when you take into account inflation and other factors relating to the time value of money. For more specific information about the coupon payment and for illustrative examples, you should refer to the section "Description of the Notes."

Owning the Notes is not the same as having rights in the Index or the Components.

You will not have any ownership or other rights in the Index or any of the Components comprising the Index. Even if the Index and the Components increase above the initial levels during the term of the Notes, the trading value of the Notes may not increase by the same amount. It is also possible for the Components to increase while the trading value of the Notes declines.

Your yield will not reflect dividends or other distributions on the securities underlying the Equity Component and the Real Estate Component.

The Index does not reflect the payment of dividends or other distributions on the securities underlying the S&P 500® Index or the iShares® Dow Jones U.S. Real Estate Index Fund. Therefore, the yield you will receive by holding the Notes to maturity will not be the same as if you had purchased such Components and held them for a similar period.

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

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

Tax Consequences.

For U.S. federal income tax purposes, we intend to treat the Notes as contingent payment debt instruments. As a result, U.S. Holders will be required to include OID in income during their ownership of the Notes based on the comparable yield of the Notes, subject to adjustments based on the actual coupon payments made on the Notes. The amount of OID includible in each year is based on the "comparable yield." In addition, we have computed a "projected payment schedule" with amounts corresponding to each coupon that produces the comparable yield. The comparable yield and the projected payment schedule are neither predictions nor guarantees of the actual yield on the Notes. If the actual amount of the coupon exceeds the corresponding amount in the projected payment schedule, the excess will be taxed as additional OID income to a U.S. Holder. If the actual amount of the coupon is less than the corresponding amount in the projected payment schedule, the difference will be applied first to reduce the OID accrued for the taxable year in which the coupon is paid, and any excess will be treated as an ordinary loss to the extent of the net ordinary income of the U.S. Holder on the Note, and any remaining amounts will be carried forward to future taxable years. Any negative adjustment carryforward on a Note for the taxable year in which the Note is sold, exchanged or retired will reduce the U.S. Holder's amount realized on the sale, exchange or retirement. Any gain recognized by a U.S. Holder on the sale, exchange or other disposition of a Note will constitute ordinary OID income (rather than capital gain). You should review the discussion under the section entitled "Certain U.S. Federal Income Tax Considerations" in this pricing supplement.

Equity market risks, real estate market risks and bond market risks may affect the trading value of the Notes and the amount you will receive at maturity.

We expect that the value of the Index will fluctuate in accordance with changes in the equity sector, real estate sector and bond sector generally, with the financial conditions of the companies or entities issuing the securities underlying the Components and other factors. The financial conditions of the issuers of the securities underlying the Components may become impaired or the general condition of the global equity markets, real estate markets and/or bond markets may deteriorate, any of which may cause a decrease in the value of the Index and thus in the value of the Notes.

Equity securities are susceptible to general equity market fluctuations and to volatile increases and decreases in value, as market confidence in and perceptions regarding the securities underlying the Components change. Investor perceptions regarding the companies issuing the securities comprising the

Components are based on various and unpredictable factors, including expectations regarding government, economic, monetary and fiscal policies, inflation and interest rates, economic expansion or contraction, and global or regional political, economic, and banking crises. The value of the Index may be expected to fluctuate until the final Calculation Date.

The Real Estate Component, because it is concentrated in a particular industry sector, may be adversely affected by the performance of real estate securities and may be subject to price volatility. In addition, the Real Estate Component may be more susceptible to any single economic, market, political or regulatory occurrence affecting that industry sector. Investment in the real estate sector is subject to many of the same risks associated with the direct ownership of real estate such as:

- adverse changes in national, state or local real estate conditions (such as oversupply of, or reduced demand for, space and changes in market rental rates);
- obsolescence of properties;
- changes in the availability, cost and terms of mortgage funds; and
- the impact of environmental laws.

The Real Estate Component is classified as "non-diversified." A non-diversified fund generally may invest a larger percentage of its assets in the securities of a smaller number of issuers. As a result, the Real Estate Component may be more susceptible to the risks associated with these particular companies, or to a single economic, political or regulatory occurrence affecting these companies.

The Bond Component is susceptible to general U.S. bond market fluctuations. Debt securities generally are susceptible to:

- interest rate risk, which is the chance that bond prices overall will decline because of rising interest rates;
- credit risk, which is the risk that a bond issuer fails to pay interest and principal in a timely manner, or that negative perceptions of an issuer's ability to make such payments cause the price of that bond to decline; and
- call risk, which is the risk that during periods of falling interest rates, issuers of callable bonds may repay securities with higher coupons or interest rates before their maturity dates. The Bond Component would then reflect the loss of potential price appreciation as issuers are forced to reinvest unanticipated proceeds at lower interest rates, resulting in a decline in the income to the issuers.

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

The historical performance of the Components should not be taken as an indication of their future performance. While the trading prices of the securities comprising the Components will determine the value of the Components, it is impossible to predict whether the value of the Components will fall or rise during the term of the Notes. Trading prices of the securities comprising the Components will be influenced by complex and interrelated economic, financial, regulatory, geographic, judicial, political and other factors that can affect the capital markets generally and the equity, real estate and bond trading markets, in particular, and by various circumstances that can influence the values of the underlying securities in a specific market segment or the value of a particular underlying security.

The hypothetical Index performance does not represent actual performance.

The hypothetical historical performance data set forth in the "Hypothetical Historical Performance Data" section should not be taken as an indication of either the future performance of the Index over the term of the Notes or the future annual coupon payments. Neither the Notes nor the Index have a trading history. As a consequence, investors should understand that the historical simulations set forth herein are based on the application of the strategy of the Index to the actual historical performance of the Components, subject to the constraints set forth in "Hypothetical Historical Performance Data."

Any pro forma analysis inherently involves assumptions and discretion. You should understand that the future performance of the Index is impossible to predict and therefore no future performance of the Notes and the Index may be inferred from any of the historical simulations. You are cautioned that the hypothetical performance data set forth herein is not indicative of, and has no bearing on, any trading results or the performance that may be obtained by the Index or the Notes.

There is risk relating to the Index based on the timing effects of correlation.

Investors should realize that the Index contemplates that the three Components have certain correlations, the timing effects of which can be quantified by a fixed set of monthly coefficients and captured in positive returns by the rebalancing according to such coefficients. Investors are cautioned that, to the extent that this assumption is incorrect and the timing and correlation effects do not occur as contemplated, the Index returns may underperform one or more of the Components. Further, the coefficients were determined based on the historical correlations between the movements of the Components. Although the analysis of the data indicated such correlations were consistent in the past and consistent over different durations of time, it is possible that the correlation between the movement of the Components in the past was a function of specific conditions existing in the past yielding a specific set of data, and that those conditions and the relationships from which the correlations were derived may not exist in the future. As a result, the Index Level may not increase to the extent suggested by the correlation analysis of the historical data.

The formula for determining each coupon payment does not take into account changes in the levels of the Index between Calculation Dates.

Changes in the levels of the Index during the term of the Notes after the Initial Calculation Date or any subsequent Calculation Date and before the next following Calculation Date will not be reflected in the calculation of the amount of the coupon. The Calculation Agent will calculate the amount of the coupon based upon the Index Level as of the applicable Calculation Date. As a result, you may not receive more than the initial public offering price of $1,000 per each $1,000 principal amount of Notes even if the value of the Index has greatly increased between Calculation Dates before declining by the time of the Calculation Date.

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

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

Value of the Index. We expect that the trading value of the Notes will depend substantially on the gains, if any, made in the Index Level since the Initial Calculation Date and the sum of all previously paid coupons. If you decide to sell your Notes when the Index Level is greater than the highest historical Index Level as of each past Calculation Date, you may nonetheless receive substantially less than the amount that would be payable at maturity based such increased Index Level because of expectations that the Index Level will continue to fluctuate until the coupon is determined.

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

Interest rates. We expect that the trading value of the Notes will be affected by changes in interest rates. In general, if interest rates increase, the value of outstanding debt securities tends to decrease; conversely, if interest rates decrease, the value of outstanding debt securities tends to increase. Interest rates may also affect the economy and, in turn, the value of the Index, which may affect the value of the Notes. Rising interest rates may lower the value of the Index and, thus, the value of the Notes.

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

Time remaining to maturity. A "time premium" results from expectations concerning the Index Level during the period prior to the maturity of the Notes. As the time remaining to the maturity of the Notes decreases, this time premium will likely decrease, potentially adversely affecting the trading value of the Notes.

Dividend yield. The value of the Notes may also be affected by the dividend yields on the securities underlying the Components of the Index. In general, because the Index does not incorporate the value of dividend payments on the Equity Component and the Real Estate Component, higher dividend yields will likely reduce the value of the Notes and, conversely, lower dividend yields will likely increase the value of the Notes.

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

Size and liquidity of the trading market. The Notes will not be listed on any securities exchange, and we do not expect a trading market to develop, which may affect the price that you receive for your Notes upon any sale prior to maturity. If a trading market were to develop in the Notes, it may not be liquid. Our subsidiary, Bear, Stearns & Co. Inc. has advised us that they intend under ordinary market conditions to indicate prices for the Notes on request. However, we cannot guarantee that bids for outstanding Notes will be made; nor can we predict the price at which any such bids will be made. Your principal investment in the Notes is protected only if you hold your Notes to maturity. If you sell your Notes prior to maturity, you may receive less than the amount you originally invested.

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

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

Reported Component levels may be based on non-current information.

If trading is interrupted in the securities underlying certain of the Components, publicly available information regarding the Index Level may be based on the last reported prices or levels. As a result, publicly available information regarding reported Component levels may at times be based on non-current information.

Suspensions or disruptions of market trading in the securities markets may adversely affect the amount of any coupon and/or the market value of the Notes.

The securities markets are subject to temporary distortions or other disruptions due to various factors, including a lack of liquidity in the markets, the participation of speculators and potential government regulation and intervention. Suspension or other disruptions of market trading in the securities underlying certain of the Components could adversely affect the value of those Components and, therefore, the amount of the coupon and/or the trading value of the Notes.

Adjustments to the Components could adversely affect the value of the Notes.

The policies of a Component Sponsor concerning additions, deletions and substitutions of the securities underlying the applicable Component and the manner in which such Component Sponsor takes account of certain changes affecting such underlying securities may affect the price or level of the Component and thus the Index Level. You should realize that changes in the companies included in any Component may affect the Component, as a newly-added company may perform significantly better or worse than the company or companies it replaces. The Component Sponsor for the Equity Component also may discontinue or suspend calculation or dissemination of the Equity Component or materially alter the methodology by which it calculates the Equity Component, and the Real Estate Component and the Bond Component may be subject to certain corporate events. Any such actions or events could affect the value of the Notes.

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

Bear, Stearns & Co. Inc. will act as the Calculation Agent. The Calculation Agent will make certain determinations and judgments in connection with calculating the amount of each coupon.

Because Bear, Stearns & Co. Inc. is our affiliate, conflicts of interest may arise in connection with Bear, Stearns & Co. Inc. performing its role as Calculation Agent. Bear, Stearns & Co. Inc. is obligated to carry out its duties and functions as Calculation Agent in good faith, and using its reasonable judgment.

Our affiliates, including Bear, Stearns & Co. Inc., may, at various times, engage in transactions involving the securities and Components underlying the Index for their proprietary accounts, and for other accounts under their management. These transactions may influence the value of such securities and components, and therefore the value of the Index. Bear Stearns International Limited, or another affiliate of ours will also be the counterparty to the hedge of our obligations under the Notes. You should refer to "Use of Proceeds and Hedging." Accordingly, under certain circumstances, conflicts of interest may arise between Bear, Stearns & Co. Inc.'s responsibilities as Calculation Agent with respect to the Notes and Bear Stearns International Limited's or another affiliates obligations under our hedge.

Changes that affect the calculation of a Component and/or certain corporate events will affect the Index, which will in turn affect the trading value of the Notes and the amount of each coupon.

The Component Sponsor for the Equity Component is responsible for maintaining and calculating the level of the Equity Component. The policies of such Component Sponsor concerning the calculation of the Equity Component will affect the level of the Equity Component and, therefore, the level of the Index, the trading value of the Notes and the amount of any coupon.

If the relevant Component Sponsor discontinues or suspends calculation or publication of the Equity Component, or if certain corporate events occur with respect to the Real Estate Component or the Bond Component, it may become difficult to determine the level of the Index, the trading value of the Notes or the amount of any coupon.

If the relevant Component Sponsor discontinues or suspends calculation of the Equity Component at any time prior to and including the final Calculation Date and a successor component is not available or is not acceptable to the Calculation Agent in its sole discretion, then the Calculation Agent will determine the amount payable on any Coupon Payment Date using the Closing Level (as defined below) of the Equity Component calculated in accordance with the formula for and method of calculating such Component last in effect prior to such discontinuance, based on the Closing Level (or, if trading in the relevant securities has been materially suspended or materially limited, its good faith estimate of the Closing Level that would have prevailed but for such suspension or limitation) at the close of the principal trading session on such date of each security most recently comprising the Equity Component on the primary organized exchange or trading system on which such securities trade. See "Description of the Notes Discontinuance of the Index or the Equity Component".

If certain corporate events occur with respect to the Real Estate Component or the Bond Component at any time prior to and including the final Calculation Date and a successor component is not available or is not acceptable to the Calculation Agent in its sole discretion, then the Calculation Agent will determine the amount payable on any Coupon Payment Date by calculating the Closing Level of the relevant Component based on the Closing Levels at the close of the principal trading session on such date of each security most recently comprising such Component on the primary organized exchange or trading system on which such securities trade, (or, if trading in the relevant securities has been materially suspended or materially limited, its good faith estimate of the Closing Level that would have prevailed but for such suspension or limitation). See "Description of the Notes Corporate Events Effecting the Real Estate Component or the Bond Component".

In addition, if the method of calculating the Equity Component is changed in a material respect, if certain corporate events occur with respect to the Real Estate Component or the Bond Component or if a Component is in any other way modified so that such Component does not, in the opinion of the Calculation Agent, fairly represent the level of the Component had such changes or modifications not been made, the Calculation Agent will make such calculations and adjustments as, in its good faith judgment, may be necessary to arrive at a level of a security index comparable to the Component as if such changes or modifications had not been made. In each such event, the Calculation Agent's determination of the value of the Notes will affect the amount you receive on any Coupon Payment Date. See "Description of the Notes Discontinuance of the Index or the Equity Component" and "Description of the Notes Corporate Events Effecting the Real Estate Component or the Bond Component".

We cannot control actions by the companies whose securities are included in each Component.

The common stock of The Bear Stearns Companies Inc. is an underlying stock of the S&P 500® Index. However, we may currently, or in the future, engage in business with such companies. Actions by any company whose security is part of a Component may have an adverse effect on the price of the company's securities, the trading price of and the Closing Level of the Component and the Index, and the trading value of the Notes. No such company is involved in this offering or has any obligations with respect to the Notes, including any obligation to take our or your interests into consideration for any reason. These companies will not receive any of the proceeds of this offering and are not responsible for, and have not participated in, the determination of the timing of, prices for, or quantities of, the Notes to be issued. These companies are not involved with the administration, marketing or trading of the Notes and have no obligations with respect to the amount to be paid to you on the final Coupon Payment Date.

Neither we nor any of our affiliates, including Bear, Stearns & Co. Inc., assumes any responsibility for the adequacy or accuracy of any publicly available information about any of the securities underlying the Components or the Components. You should make your own investigation into the companies underlying each Component.

We and our affiliates have no affiliation with any Component Sponsor or the Strategy Sponsor and are not responsible for any Component Sponsor's public disclosure of information.

We and our affiliates are not affiliated in any way with any Component Sponsor (except for the licensing arrangements discussed in the section "Description of the Index License Agreements") and have no ability to control or predict any Component Sponsor's actions, including any errors in or discontinuation of disclosure regarding its methods or policies relating to the management or calculation of the applicable Component, as the case may be. Neither we nor any of our affiliates assumes any responsibility for the adequacy or accuracy of the information about the Components or the Component Sponsors contained in this pricing supplement. You, as an investor in the Notes, should make your own investigation into the Components and the Component Sponsors. The Component

Sponsors are not involved in any way in the offering of the Notes and have no obligation to consider your interests as an owner of Notes when they take any actions that might affect the value of the Notes.

We and our affiliates are not affiliated in any way with the Strategy Sponsor and have no ability to control or predict the Strategy Sponsor's actions. The Index is the exclusive property of Bear Stearns International Limited, one of our affiliates, which has contracted with the Strategy Sponsor to maintain and calculate the Index. The Strategy Sponsor shall have no liability for any errors or omissions in calculating the Index or the Equity Component. The Notes, which are linked to the performance of the Index, are not sponsored, endorsed, sold or promoted by the Strategy Sponsor; and the Strategy Sponsor makes no representations regarding the advisability of investing in the Notes.

Trading and other transactions by us or our affiliates could affect the prices of the securities underlying a Component, the level of a Component, the level of the Index, the trading value of the Notes or the amount you may receive on any Coupon Payment Date.

We and our affiliates may hedge some or all of our anticipated exposure in connection with the Notes by the purchase and sale of exchange-traded and over-the-counter options on the Components or individual securities included in the Components, or futures contracts on the Components and options on such futures contracts or by taking positions in any other instruments that it may wish to use in connection with such hedging. We and our affiliates are likely to modify our hedge position throughout the life of the Notes, including on each Calculation Date, by purchasing and selling the securities and instruments listed above and other available securities and instruments. We and our affiliates may also from time to time buy or sell shares of the securities underlying a Component or derivative instruments related to those securities or such Component for our own accounts in connection with our normal business practices. These trading activities may present a conflict of interest between your interest in the Notes and the interests we and our affiliates may have in our proprietary accounts, in facilitating transactions, including block trades, for our other customers and in accounts under our management. The transactions could affect the prices of those securities or the level of the Component, and therefore the level of the Index, in a manner that would be adverse to your investment in the Notes. See the section "Use of Proceeds and Hedging."

Hedging activities that we or our affiliates may engage in may affect the prices of those securities or the level of a Component, and therefore the level of the Index and, accordingly, increase or decrease the trading value of the Notes prior to maturity and the amount of the coupon you would receive on any Coupon Payment Date. To the extent that we or any of our affiliates has a hedge position in any of the securities that underlie a Component, or derivative or synthetic instruments related to those securities or such Component, we or any of our affiliates may liquidate a portion of such holdings at any time before, during or after the term of the Notes or at or about the time of a change in the securities that underlie the Component. Depending on, among other things, future market conditions, the aggregate amount and the composition of such hedge positions are likely to vary over time. Profits or losses from any of those positions cannot be ascertained until the position is closed out and any offsetting position or positions are taken into account. Although we have no reason to believe that any of those activities will have a material effect on the level of the Index, we cannot assure you that these activities will not affect such level and the trading value of the Notes prior to maturity or the amount of any coupon.

In addition, we or any of our affiliates may purchase or otherwise acquire a long or short position in the Notes. We or any of our affiliates may hold or resell the Notes.

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

We or one or more of our affiliates may have published, and may in the future publish, research reports relating to the Index, the Components or companies issuing the securities underlying any of the Components. This research may be modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Notes. Any of these activities may affect the market prices of securities included in any Component and, therefore, the Index Level and the value of the Notes. Similarly, we may in the past have issued or may in the future issue Notes that permit a purchaser to take a different view with respect to the movements of the Components or the Index than do the Notes (*e.g.*, to take a bearish rather than a bullish view).

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

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

The amount of the coupon you receive on the Notes may be delayed or reduced upon the occurrence of a Market Disruption Event, or an Event of Default.

If the Calculation Agent determines that, on the Calculation Date, a Market Disruption Event has occurred or is continuing, the determination of the value of the Index by the Calculation Agent may be deferred. You should refer to the section "Description of the Notes Market Disruption Events."

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

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

DESCRIPTION OF THE NOTES

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

General

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

The aggregate principal amount of the Notes is specified on the cover. The Notes will mature on the Maturity Date and do not provide for earlier redemption. The Notes will be issued only in fully registered form, and in minimum denominations of $1,000 and with amounts in excess thereof in integral multiples of $1,000; provided, however, that the minimum purchase for any purchaser domiciled in a member state of the European Union shall be $100,000. Initially, the Notes will be issued in the form of one or more global securities registered in the name of DTC or its nominee, as described in the accompanying prospectus supplement and prospectus. When we refer to Note or Notes in this pricing supplement, we mean $1,000 principal amount of Notes. The Notes will not be listed on any securities exchange.

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

Future Issuances

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

Payment at Maturity

Your investment is principal protected only if you hold the Notes until maturity. On the Maturity Date you will receive 100% of the principal amount of your Notes.

U.S. Adagio Strategy Index

The Index replicates a strategy based on the relative weighting of the three U.S. asset classes (equities, real estate and government bonds) that are represented by the Components. The relative weighting of each Component in the Index is rebalanced on a monthly basis. The percentage weightings of the Real Estate Component and the Equity Component in a given month are determined by a formula which utilizes the monthly returns of the Real Estate Component and the Equity Component for each of the trailing 12 months. The percentage weightings of the Real Estate Component and the Equity Component are each subject to a minimum weighting of 0% and a maximum weighting of 50% each. The Bond Component is the residual Component. Its weighting is the percentage, if any, required to make the sum of all Component weightings equal 100%.

Component Weighting

The weighting of each of the Components in the Index will be rebalanced on the last day of each calendar month or, if such day is not a Trading Day, the next following Trading Day (each such day, a "Weight Rebalancing Date"). The rebalancing will be achieved by the following process:

First, a set of monthly percentage returns will be determined for each Component in respect of each of the twelve monthly periods ending on the month which relates to the Weight Rebalancing Date.

Second, with respect to the Equity Component and the Real Estate Component, these monthly percentage returns will be multiplied by the fixed coefficients (as specified in Exhibit A hereto) for the corresponding monthly period.

Third, each of the amounts resulting from the product of the monthly percentage returns by the corresponding fixed coefficient will be summed with respect to the Equity Component and the Real Estate Component.

Fourth, subject to a maximum weighting of 50% and a minimum of 0% each, these sums of the Equity Component and the Real Estate Component will be the weighting of these components for the relevant month.

Fifth, the weighting of the Bond Component is the percentage, if any, required to make the sum of all Component weightings equal 100%.

Fixed coefficients represent the statistical relationship (the correlation) between the monthly returns of the Equity Component and its preceding monthly returns as well as the statistical relationship between the monthly returns of the Equity Component and the preceding monthly returns of each of the other two Components, in each case up to the previous 12 monthly periods. This same methodology will apply to the Real Estate Component. As a result of this process, the weighting of each Component in the Index is a linear combination of the 12 monthly historical returns of each of the Components with fixed coefficients. Both positive and negative coefficients are used in computing the relative weightings of the Components. Positive returns and positive coefficients will have the effect of increasing the weighting of a particular Component, while negative returns and negative coefficients will have the effect of decreasing the weighting of a particular Component.

As described above, on each Weight Rebalancing Date, the weightings of each of the Components in the Index will be computed according to the following formulae:

Where:

$Bond_{k-j}$ is, as of the Weight Rebalancing Date on day t_k, the Closing Level of the Bond Component on (i) each of the 11 Weight Rebalancing Dates immediately preceding day t_k and (ii) t_k.

$Bond_{k-j-1}$ is, as of the Weight Rebalancing Date on day t_k, the Closing Level of the Bond Component on each of the 12 Weight Rebalancing Dates immediately preceding day t_k.

$C_j^{1,Equity}$, $C_j^{1,RE}$, $C_j^{1,Bond}$, as of the Weight Rebalancing Date on day t_k, are the constant coefficient parameters to be used for the computation of the Equity Component weightings for the Weight Rebalancing Date on day t_k. These 36 coefficients are fixed and will remain constant.

$C_j^{2,Equity}$, $C_j^{2,RE}$ and $C_j^{2,Bond}$, as of the Weight Rebalancing Date on day t_k, are the constant coefficient parameters to be used for the computation of the Real Estate Component weightings for the Weight Rebalancing Date on day t_k. These 36 coefficients are fixed and will remain constant.

$Equity_{k-j}$ is, as of the Weight Rebalancing Date on day t_k, the Closing Level of the Equity Component on (i) each of the 11 Weight Rebalancing Dates immediately preceding day t_k and (ii) t_k.

$Equity_{k-j-1}$ is, as of the Weight Rebalancing Date on day t_k, the Closing Level of the Equity Component on each of the 12 Weight Rebalancing Dates immediately preceding day t_k.

RE_{k-j} is, as of the Weight Rebalancing Date on day t_k, the Closing Level of the Real Estate Component on (i) each of the 11 Weight Rebalancing Dates immediately preceding day t_k. and (ii) t_k.

RE_{k-j-1} is, as of the Weight Rebalancing Date on day t_k, the Closing Level of the Real Estate Component on each of the 12 Weight Rebalancing Dates immediately preceding day t_k.

t_k is the current Weight Rebalancing Date.

W_k^{Bond} is, in respect of Weight Rebalancing Day t_k, the weight of the Bond Component in the Index as determined by the Strategy Sponsor on such day t_k.

W_k^{Equity} is, in respect of Weight Rebalancing Day t_k, the weight of the Equity Component in the Index as determined by the Strategy Sponsor on such day t_k.

W_k^{RE} is, in respect of Weight Rebalancing Day t_k, the weight of the Real Estate Component in the Index as determined by the Strategy Sponsor on such day t_k.

Index Level

The Index Level, as determined by the Strategy Sponsor, will be displayed on Bloomberg Financial Service (under the symbol ADAGUS <Index>). The Index Level will be calculated on each Trading Day and will equal the product of (x) the Index Level as of the prior day multiplied by (y) the sum of the product for each Component of (i) the daily percentage change in the Closing Level of such Component multiplied by (ii) its respective weighting in the Index as of such date.

The Index Level is adjusted downwards by a monthly Index Adjustment Factor applied pro rata on a daily basis. The cumulative "Index Adjustment Factor," as of any date of determination, is equal to the product of (x) 0.225% and (y) the quotient of (i) the total number of days from and including the Weight Rebalancing Date immediately preceding such date of determination (the "Prior Weight Rebalancing Date") to and excluding such a date of determination and (ii) the total number of days from and including the Prior Weight Rebalancing Date to and excluding the Weight Rebalancing Date immediately succeeding such date of determination.

In the event that any Index Level displayed on the Bloomberg Financial Service in the manner described above is subsequently corrected and that correction is displayed on Bloomberg Financial Service after its original publication, the Strategy Sponsor will account for such adjustment and, to the extent necessary, will adjust any terms of the Index it determines appropriate and will determine the effective dates of such adjustments.

Coupon

The Notes will pay a coupon, if any, on the third business day following October [10] of each year (or if October [10] is not a trading day, the following trading day) commencing October [15], 2007. The final Coupon Payment Date is the same day as the Maturity Date. For each Note you hold, with respect to each Coupon Payment Date, you will receive $1,000 multiplied by the percentage increase, if any, of the Index Level relative to its Initial Index Level minus the sum of the amounts of all previously paid coupons. If as of any Calculation Date, this calculation results in an amount less than or equal to zero, there will be no coupon payment for that year.

Illustrative Examples

The following tables demonstrate the hypothetical coupon payments on a Note based on the assumptions that (i) the Index increases over the term of the Note as indicated in Example 1, (ii) the Index increases in each of Years 1 through 3 and then declines in Year 4 before increasing again in Year 5 of the term of the Note in Example 2, (iii) the Index increases over the first three years of the term of the Note and declines in Year 4 and Year 5 in Example 3 and (iv) the Index declines over four out of five years of the term of the Note in Example 4.

The examples below do not purport to be representative of every possible scenario concerning increases or decreases in the Index Level. You should not construe these examples as an indication or assurance of the expected performance of the Notes. Actual returns may be different. The examples demonstrating the hypothetical coupon payments of a Note are based on the following assumptions:

Investor purchases $1,000 aggregate principal amount of Notes at the initial public offering price of $1,000.

Investor holds the Notes to maturity.

The Initial Index Level is equal to 240.00.

All returns are based on a 5-year term; pre-tax basis.

No Market Disruption Events or Events of Default occur during the term of the Notes.

Example 1

The Index increases over the term of the Note

Time Period	Initial Level	Year 1	Year 2	Year 3	Year 4	Year 5
Index Level	240	271.356				