

BEAR STEARNS COMPANIES INC

Form 424B2

June 22, 2007

This preliminary pricing supplement relates to an effective registration statement under the Securities Act of 1933, but is not complete and may be changed. We may not sell these securities until we deliver a final pricing supplement. This preliminary pricing supplement and the accompanying prospectus supplement and prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where such an offer or sale would not be permitted.

Filed pursuant to Rule 424(b)(2)

Registration No. 333-136666

Subject to Completion, dated June 22, 2007

**PRELIMINARY PRICING SUPPLEMENT**

(To Prospectus Dated August 16, 2006 and

Prospectus Supplement Dated August 16, 2006)

**The Bear Stearns Companies Inc.**

**[\$ ] Medium-Term Notes, Series B, Linked to the Performance of the Alerian MLP Select Index Due [June , 2027]**

- The Notes are linked to the performance of the Alerian MLP Select Index (the “Index”). *The Notes are not principal protected.* When we refer to Notes in this pricing supplement, we mean Notes with a principal amount of \$[ ] (the “Principal Amount”).
- The Index measures the composite performance of energy oriented Master Limited Partnerships (“MLPs”), and is calculated by Standard & Poor’s using a float-adjusted, market capitalization-weighted methodology, as described herein.
- The initial price of the Notes will be determined by the Calculation Agent (as defined herein) based upon the quotient of (1) the arithmetic mean of the sum for each MLP in the Index of the products of (i) the volume-weighted average price of that MLP and (ii) the published share weighting of that MLP, each measured daily over a specified period of Index Business Days (as defined herein) following the Closing Date (as defined herein) pursuant to the following schedule (the “VWAP Schedule”), divided by (2) the product of the Index Divisor (as defined herein) and the number ten:

| Aggregate Size of the Issuance                                     | Initial Measurement Period |
|--|----------------------------|
| Less than \$200 Million  | 6 Index Business Days      |
| Equal to or greater than \$200 million and less than \$250 million | 8 Index Business Days      |
| Equal to or greater than \$250 million and less than \$300 million | 10 Index Business Days     |
| Equal to or greater than \$300 million and less than \$350 million | 11 Index Business Days     |
| Equal to or greater than \$350 million and less than \$400 million | 13 Index Business Days     |
| Equal to or greater than \$400 million and less than \$450 million | 15 Index Business Days     |

|  |                        |
|--|------------------------|
| Equal to or greater than \$450 million and less than \$500 million | 16 Index Business Days |
| Equal to or greater than \$500 million                             | 21 Index Business Days |

- We plan to apply to list the Notes on the New York Stock Exchange under the ticker symbol “BSR”. If an active secondary market in the Notes develops, we expect that investors will purchase and sell the Notes primarily in the secondary market.
- As further described herein, the Notes will pay a coupon on a monthly basis in an amount per Note in U.S. dollars equal to the difference between the gross cash dividends from the MLPs in the Index attributable to the Notes (adjusted for the relative weightings within the Index as described herein) in the prior month less a tracking fee. To the extent the gross cash dividends for any monthly period would be less than the tracking fee, no coupon will be paid, and the difference between the tracking fee and the gross cash dividends in such month will be added to the tracking fee for the following month.
- On the Maturity Date, you will receive the Cash Settlement Amount, an amount per Note in U.S. dollars equal to (i) the Principal Amount multiplied by the Index Ratio minus (ii) the accrued tracking fee, if any, where:
  - o “Index Ratio” means the Final VWAP Level divided by the Initial VWAP Level;
  - o “Initial VWAP Level” means [ ], the arithmetic mean of the VWAP Levels measured on each Index Business Day during the initial measurement period set in accordance with the VWAP Schedule above, as determined by the Calculation Agent;
  - o “Final VWAP Level” means the arithmetic mean of the VWAP Levels measured over a period of five Index Business Days from and including the Calculation Date (as defined herein), as determined by the Calculation Agent; and
  - o “VWAP Level,” means, as of any date of determination and with respect to the Index, an amount equal to the quotient of (1) the arithmetic mean of the sum for each MLP in the Index of the products of (i) the volume weighted-average price of that MLP as of such date and (ii) the published share weighting of that MLP as of such date, divided by (2) the Index Divisor as of such date, as determined by the Calculation Agent.
- The Notes may be redeemed as of the last business day of each week during the term of the Notes. If you redeem your Notes you will receive a payment in U.S. dollars equal to the Cash Settlement Amount minus a redemption fee and plus a coupon payment, if any. The Notes may be redeemed only in amounts of [75,000] Notes or more, subject to adjustment by the Calculation Agent.
- **The Notes are not principal protected. Therefore, you may receive less, and possibly significantly less, than the principal you invested.**

The CUSIP number for the Notes is 073902835.

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-14.

**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.**

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 [June \_\_, 2007], 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.**

[June \_\_, 2007]

## 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 Alerian MLP Select Index, due [June , 2027] (the “Notes”), are notes whose return is tied or “linked” to the performance of the Alerian MLP Select Index (the “Index”). The Index measures the composite performance of energy oriented Master Limited Partnerships (“MLPs”), and will be calculated by Standard and Poor’s using a float-adjusted, market capitalization-weighted methodology. The Notes are not principal protected, ***therefore you may receive less, and possibly significantly less, than the principal you invested.*** When we refer to the Note or Notes in this pricing supplement, we mean \$[ ] principal amount of Notes.

The Notes will pay a coupon, if any, on each Coupon Payment Date. For each Note you hold, on each Coupon Payment Date you will receive an amount in U.S. dollars equal to the difference between the Reference Dividend Amount minus the Tracking Fee. If the Reference Dividend Amount is less than the Tracking Fee on any Coupon Valuation Date, there will be no coupon payment on the corresponding Coupon Payment Date, and the Tracking Fee for the next Coupon Payment Date will be increased by an amount equal to the Tracking Fee Shortfall. This process will be repeated until such time as the Reference Dividend Amount for any period of calculation is sufficient to cover the accrued Tracking Fee for all prior months.

On the Maturity Date, you will receive the Cash Settlement Amount, an amount per Note in U.S. dollars equal to (i) the Principal Amount multiplied by the Index Ratio minus (ii) the accrued Tracking Fee, if any. The Index Ratio is equal to the Final VWAP Level divided by the Initial VWAP Level. ***If the Final VWAP Level is less than the Initial VWAP Level, you will receive less, and possibly significantly less, at maturity, than the principal you invested.***

The Notes may be redeemed prior to maturity as of the last Business Day of each week during the term of the Notes. In order to redeem your Notes, you must comply with the Notice Procedures described herein. Upon compliance with the Notice Procedures, the Calculation Date for the redeemed Notes will be accelerated to the Redemption Valuation Date, which shall automatically accelerate the final Coupon Valuation Date and the Maturity Date in accordance with the terms specified herein. On the accelerated Maturity Date, you will receive an amount equal to the Redemption Amount, which equals the sum of (i) the Cash Settlement Amount minus the Redemption Fee Amount plus (ii) the Coupon Amount, if any.

### Selected Investment Considerations

- Growth potential - The Notes offer the possibility to participate in the potential appreciation of the Index. The return, if any, on the Notes is based upon the extent to which the Final VWAP Level is greater than the Initial VWAP

Level.

·Index access - The Notes represent a unique opportunity to invest in a security that tracks the Alerian MLP Select Index. Due to our exclusive licensing agreement (see “Description of the Index - License Agreement”) this Note is the only security at present that will allow a Noteholder to track the Index.

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- Exchange listed - We intend to list the Notes on the New York Stock Exchange under the ticker symbol “BSR”. If an active secondary market in the Notes develops, we expect that investors will purchase and sell the Notes primarily in the secondary market.
- Coupon - The Notes will pay a coupon on a monthly basis to the extent that the gross cash dividends from the MLPs in the Index attributable to the Notes (adjusted for the relative weightings within the Index as described herein) for the prior month minus a tracking fee.
- Early redemption - The Notes may be redeemed prior to maturity as of the last Business Day of each week in a minimum amount of [75,000] Notes.

### **Selected Risk Considerations**

- ***Possible loss of principal - The Notes are not principal protected, therefore you may receive less, and possibly significantly less, than the principal you invested. If the Final VWAP Level is less than the Initial VWAP Level, the Cash Settlement Amount you will receive at maturity will be less than the principal you invested. In that case, you will receive less, and possibly significantly less, than the principal you invested.***
- Limited portfolio diversification - The Index Components are concentrated in the energy oriented Master Limited Partnership sector. Your investment may, therefore, carry risks similar to a concentrated investment in a limited number of industries or sectors.
- The level of the Index cannot be predicted - The future performance of the Index is impossible to predict and, therefore, no future performance of the Notes or the Cash Settlement Amount may be inferred from any of the historical data or any other information set forth herein. Because it is impossible to predict the level of the Index or the performance of any of the Index Components, it is possible that the level of the Index and the VWAP Level will decline and you will lose all or part of the principal you invested.
- Liquidity - Although we intend to list the Notes on the New York Stock Exchange, a trading market for your Notes does not currently exist and may not develop. In addition, 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 such bids will be made. If you sell your Notes prior to maturity, you may receive less than the principal you invested.
- Possible loss of value in the secondary market - If you sell your Notes prior to maturity, you may receive less than the principal you invested.
- Coupon payments are not guaranteed - You will not receive a coupon payment to the extent that, for any period of calculation, the amount of gross cash dividends that would be received by a Reference Holder of the Index Components would be less than the Tracking Fee. The yield on the Notes, therefore, 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.
- Taxes - The U.S. federal income tax consequences of an investment in the Notes are uncertain. The Issuer and the holders agree (in the absence of an administrative or judicial ruling to the contrary) to treat the Notes for federal income tax purposes as pre-paid cash-settled executory contracts linked to the value of the Index and, where required, to file information returns with the Internal Revenue Service (the “IRS”) in accordance with such treatment. Assuming the Notes are treated as pre-paid cash-settled executory contracts, you should generally recognize capital gain or loss to the extent that the cash you receive on the Maturity Date or upon a sale or exchange of the Notes prior

to the Maturity Date differs from your tax basis on the Notes (which will generally be the amount you paid for the Notes) and you agree with the Issuer to currently recognize as ordinary income any coupon received in respect of the Notes. However, other treatments are possible. Prospective investors are urged to consult their tax advisors regarding the U.S. federal income tax consequences of an investment in the Notes.

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## KEY TERMS

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

**Index:** The Alerian MLP Select Index (ticker “AMZS”), as published by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. (“Sponsor”), in consultation with Alerian Capital Management LLC (“Alerian”).

The Index measures the composite performance of energy oriented Master Limited Partnerships (“MLPs”), and is calculated by the Sponsor using a float-adjusted, market capitalization-weighted methodology. The objective of the Index is to provide investors with an unbiased, comprehensive benchmark for the performance of the energy Master Limited Partnership universe. The MLPs underlying the Index are generally limited partnerships engaged in the exploration, marketing, mining, processing, production, storage or transportation of any mineral or natural resource. The Index itself is disseminated real-time on a price-return basis and is listed on the Chicago Mercantile Exchange.

**Index Components:** As of any date of determination, the constituents underlying the Index.

**Closing Date:** [July , 2007]

**Settlement Date:** [ ]

**Pricing Date:** [ ]

**Principal Amount:** The Notes will be denominated in U.S. dollars. Each Note will be issued in minimum denominations to be determined by the Calculation Agent based upon the quotient of (1) the arithmetic mean of the sum for each Index Component of the products of (i) the volume-weighted average price of that Index Component and (ii) the published share weighting of that Index Component, each measured daily over a specified period of Index Business Days following the Closing Date (the “Initial Measurement Period”) in accordance with the following schedule (the “VWAP Schedule”), divided by (2) the product of the Index Divisor and the number ten:

| Aggregate Size of the Issuance                                     | Initial Measurement Period |
|--|----------------------------|
| Less than \$200 Million  | 6 Index Business Days      |
| Equal to or greater than \$200 million and less than \$250 million | 8 Index Business Days      |
| Equal to or greater than \$250 million and less than \$300 million | 10 Index Business Days     |
| Equal to or greater than \$300 million and less than \$350 million | 11 Index Business Days     |
| Equal to or greater than \$350 million and less than \$400 million | 13 Index Business Days     |
| Equal to or greater than \$400 million and less than \$450 million | 15 Index Business Days     |
| Equal to or greater than \$450 million and less than \$500 million | 16 Index Business Days     |

Equal to or greater than \$500  
million

21 Index  
Business Days

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 \$[ ].

**V W A P A s** of any date of determination and with respect to the Index, the quotient of (1) the arithmetic mean of the **Level:** sum for each Index Component of the products of (i) the volume weighted-average price of that Index Component as of such date and (ii) the published share weighting of that Index Component as of such date divided by (2) the Index Divisor as of such date, as determined by the Calculation Agent.

**I n d e x**As of any date of determination, the divisor used by the Sponsor to calculate the level of the Index, as **Divisor:** further described under “Description of the Index - Computation of the Index” herein.

**F u r t h e r**We may, without your consent, offer further issuances of the Notes at offering prices based upon market **Issuances:** conditions and VWAP Levels at that time. If there is substantial demand for the Notes, we may issue additional Notes frequently. 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.



**Coupon:** The Notes will pay a coupon, if any, on each Coupon Payment Date. For each Note you hold, on each Coupon Payment Date you will receive an amount in U.S. dollars equal to the difference between the Reference Dividend Amount minus the Tracking Fee (the “Coupon Amount”). To the extent the Reference Dividend Amount is less than the Tracking Fee on any Coupon Valuation Date, there will be no coupon payment made on the corresponding Coupon Payment Date, and an amount equal to the difference between the Tracking Fee and the Reference Dividend Amount in respect of such period (the “Tracking Fee Shortfall”) will be added to the Tracking Fee deducted from the Reference Dividend Amount in respect of the next Coupon Payment Date. For the avoidance of doubt, the process will be repeated to the extent necessary until such time as the accrued Tracking Fee has been deducted from the appropriate Reference Dividend Amount in all prior months.

**Coupon Payment Date:** Means the [fifth] Business Day following each Coupon Valuation Date, subject to adjustment as described herein.

**C o u p o n Valuation Date:** Means the first Business Day of each calendar month during the term of the Notes beginning on [ ], and the last Coupon Valuation Date shall be the Calculation Date, subject to adjustment as described herein.

**Reference Dividend**

**Amount:** As of any Coupon Payment Date, an amount per Note equal to the gross cash dividends that would have been received by a Reference Holder in respect of a quantity of Index Components held by such Reference Holder on an “ex-dividend date” with respect to any Index Component, which “ex-dividend date” occurred during the period from and including the first Index Business Day following the Initial Measurement Period to and excluding the immediately preceding Coupon Valuation Date. Any non-cash dividends that would have been received by a Reference Holder during any period of determination will be valued in cash by the Calculation Agent and will be included in the gross cash dividends for purposes of this calculation.

**Tracking Fee:** As of any date of determination, an amount per Note equal to the product of [0.070834]% (representing [0.85]% per annum) multiplied by the Current NAV. The Tracking Fee will be increased by an amount equal to any Tracking Fee Shortfall.

**Current NAV:** As of any date of determination, an amount per Note equal to the product of (i) the Principal Amount multiplied by (ii) a fraction, the numerator of which is equal to the VWAP Level as of such date and the denominator of which is equal to the Initial VWAP Level, as determined by the Calculation Agent.

**Cash Settlement Amount:** An amount per Note payable in U.S. dollars on the Maturity Date equal to (i) the Principal Amount multiplied by the Index Ratio minus (ii) the accrued Tracking Fee, if any.

**Index Ratio:** As of any date of determination, an amount equal to the quotient of the Final VWAP Level divided by the Initial VWAP Level.

**Initial VWAP Level:** [ ], representing the arithmetic mean of the VWAP Levels measured each Index Business Day in the Initial Measurement Period determined in accordance with the VWAP Schedule set forth above, as determined by the Calculation Agent.

**Final VWAP Level:** The arithmetic mean of the VWAP Levels measured each Index Business Day in the Final Measurement Period, as determined by the Calculation Agent.

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**Final Measurement Period:** The five Index Business Days from and including the Calculation Date. The Final Measurement Period is subject to adjustment as described under “Description of the Notes - Redemption; Defeasance” and “Description of the Notes - Market Disruption Events”.

**Calculation Date:** [June 1, 2027], unless such day is not an Index Business Day, in which case the Calculation Date shall be the next Index Business Day. The Calculation Date is subject to adjustment as described under “Description of the Notes - Redemption; Defeasance” and “Description of the Notes - Market Disruption Events”.

**Maturity Date:** The third Business Day following the final Index Business Day in the Final Measurement Period.

**Early Redemption Event:** You may redeem your Notes as of the last Business Day of each week during the term of the Notes (each, a “Redemption Valuation Date”) by delivering a Redemption Notice to us via email no later than 10:00 a.m. New York City time on the Business Day prior to such Redemption Valuation Date. If we receive your Redemption Notice in accordance with the foregoing, we or our affiliate will send a form of Redemption Confirmation to you via return email, which you must complete, execute and return to us via facsimile by no later than 4:00 p.m. New York City time on the same Business Day. We or our affiliate must acknowledge receipt of your completed Redemption Confirmation in order for your redemption to be effective. The procedures described in the foregoing paragraph are referred to herein as the “Notice Procedures.”

Upon compliance with the Notice Procedures, the Calculation Agent will accelerate the Calculation Date with respect to the Notes being redeemed to the relevant Redemption Valuation Date, which will automatically accelerate the final Coupon Valuation Date and the Maturity Date with respect to the Notes being redeemed in accordance with the terms set forth herein. On the accelerated Maturity Date you will receive an amount per Note in U.S. dollars equal to (i) the Cash Settlement Amount minus Redemption Fee Amount plus (ii) the Coupon Amount, if any (the “Redemption Amount”).

The Tracking Fee applicable to the Notes subject to an Early Redemption Event shall be an amount equal to the sum of (i) the Tracking Fee Shortfall as of the last Coupon Valuation Date (if any) plus (ii) the Tracking Fee as of the next Coupon Valuation Date multiplied by a percentage, the numerator of which is the total number of days since the prior Coupon Valuation Date, and the denominator of which is 30 (the “Adjusted Tracking Fee”). To the extent the Reference Dividend Amount as of the accelerated Calculation Date is greater than the Adjusted Tracking Fee, the Redemption Amount will include a coupon payment equal to the Coupon Amount (with the Calculation Agent using the Adjusted Tracking Fee in calculating such Coupon Amount). To the extent the Reference Dividend Amount as of the accelerated Calculation Date is less than the Adjusted Tracking Fee, the Redemption Amount will not include any coupon payment, and an amount equal to the difference between the Adjusted Tracking Fee less the Reference Dividend Amount will be subtracted from the Index Ratio in determining the Cash Settlement Amount payable on the accelerated Maturity Date.

We will inform you of the Redemption Amount on the first Business Day following the final Index Business Day in the Final Measurement Period. Upon receipt, you must instruct your custodian at The Depository Trust Company (“DTC”) to book a delivery vs. payment trade with respect to your Notes on such date at a price equal to the Redemption Amount, facing Bear Stearns DTC 0352, and cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 10:00 a.m. New York City time, on the applicable accelerated Maturity Date.

You may redeem your Notes only in amounts of [75,000] Notes or greater, subject to adjustment by the Calculation Agent. You may not redeem your Notes in the week in which the Notes mature.

**Redemption Notice:** Means the form of redemption notice attached hereto as Appendix 1.

**Redemption Confirmation:** Means the form of redemption confirmation attached hereto as Appendix 2.

**Redemption Fee:** [0.125]%

**Redemption Fee Amount:** As of any date of determination, an amount per Note in U.S. dollars equal to the product of the Redemption Fee multiplied by the applicable Cash Settlement Amount.

**Reference Holder:** As of any date of determination, a hypothetical holder of a number of shares of each of the Index Components in the then current weightings within the Index as if such holder had invested an amount in the Index as of that date equal to the then equivalent Cash Settlement Amount (as if the Calculation Agent were to determine the Cash Settlement Amount on that date), as determined by the Calculation Agent.

**Exchange Listing:** The Notes will be listed on the New York Stock Exchange under the ticker symbol "BSR".

**Business Day:** Any day other than a Saturday or Sunday, on which banking institutions in New York, New York, are not authorized or obligated by law or executive order to close.

**Index Business Day:** Any day on which each Primary Exchange and each Related Exchange are scheduled to be open for trading.

**Primary Exchange:** With respect to each Index Component, the primary exchange or market of trading of such Index Component.

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

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

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**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 \$[ ], the minimum purchase for any purchaser domiciled in a member state of the European Economic Area shall be \$100,000.**

## QUESTIONS AND ANSWERS

### **What are the Notes?**

The Notes are a series of our senior debt securities, the value of which is linked to the performance of the Index. Unless redeemed earlier, the Notes will mature on the Maturity Date. When we refer to Notes in this pricing supplement, we mean Notes with a principal amount of \$[ ]. You should refer to the section “Description of the Notes.”

### **Are the Notes equity or debt securities?**

The Notes are our unsecured debt securities. However, the Notes differ from traditional debt securities in that the Notes are not principal protected. If, at maturity or upon redemption, the Final VWAP Level is less than the Initial VWAP Level, you will receive less, and possibly significantly less, than the principal you invested.

### **Are the Notes principal protected?**

*The Notes are not principal protected, therefore, you may lose up to 100% of the principal amount of your Notes. If, at maturity, the Final VWAP Level is less than the Initial VWAP Level, you will receive less, and possibly significantly less, than the principal you invested. 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 the past historical performance of the Index.*

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

On the first Business Day of each calendar month during the term of the Notes, the Calculation Agent will determine the amount per Note of gross cash dividends that a Reference Holder would have received in respect of a quantity of Index Components held by such Reference Holder on an “ex-dividend date” with respect to any Index Component, which “ex-dividend date” occurred during the period from and including the first Index Business Day following the Initial Measurement Period to and excluding the immediately preceding Coupon Valuation Date. If such amount is greater than the tracking fee equal to [0.070834]% of the current value of a Note measured as the relevant date of determination, you will receive a coupon payment on the [fifth] Business Day following such Coupon Valuation Date in an amount per Note in U.S. dollars equal the pro rata amount of such excess. No coupon payment will be made for any period of calculation in which the tracking fee is greater than the amount of gross cash dividends for such period, and the amount of such tracking fee shortfall will be added by the Calculation Agent to the tracking fee to be deducted from the gross cash dividends in respect of the following period. This process will be repeated until such time as the gross cash dividends for any period of calculation are sufficient to cover the amount of the accrued tracking fee for all prior months. You should see “Description of the Notes - Coupon Payments” for further information.

In addition, for each Index Business Day in the Initial Measurement Period, your initial investment will be decreased on a straight-line basis (over the total number of Index Business Days in the Initial Measurement Period) and such diminished amount will accrue interest at an interest rate based on the Fed Funds Rate on a daily basis. Such interest amount will be applied towards the purchase of additional Notes.

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### **What will I receive at maturity on the Notes?**

On the Maturity Date you will receive the Cash Settlement Amount, an amount in cash that depends upon the relation of the Final VWAP Level to the Initial VWAP Level. The Notes are not principal protected. *Therefore, you may receive less, and possibly significantly less, than the principal you invested.*

If you hold your notes to maturity, on the Maturity Date you will receive the Cash Settlement Amount, an amount per Note in U.S. dollars equal to (i) the Principal Amount multiplied by the Index Ratio minus (ii) the accrued Tracking Fee, if any.

The “Index Ratio,” as of any date of determination, is an amount equal to the quotient of the Final VWAP Level divided by the Initial VWAP Level.

The “Initial VWAP Level” equals [ ], representing the arithmetic mean of the VWAP Levels measured each Index Business Day in the Initial Measurement Period determined in accordance with the VWAP Schedule, as determined by the Calculation Agent.

The “Final VWAP Level” will equal the arithmetic mean of the VWAP Levels measured each Index Business Day in the Final Measurement Period, as determined by the Calculation Agent.

The “VWAP Level” means, as of any date of determination and with respect to the Index, the quotient of (1) the arithmetic mean of the sum for each Index Component of the products of (i) the volume weighted-average price of that Index Component as of such date and (ii) the published share weighting of that Index Component as of such date, divided by (2) the Index Divisor as of such date, as determined by the Calculation Agent.

The “Index Divisor” means, as of any date of determination, the divisor used by the Sponsor to calculate the level of the Index, as further described under “Description of the Index - Computation of the Index” herein.

The “Initial Measurement Period” means the period of Index Business Days specified in accordance with the VWAP Schedule set forth herein.

The “Final Measurement Period” means the five Index Business Days from and including the Calculation Date. The Final Measurement Period is subject to adjustment as described under “Description of the Notes -Redemption; Defeasance” and “Description of the Notes - Market Disruption Events.”

The “Calculation Date” is [June , 2027], unless such day is not an Index Business Day, in which case the Calculation Date shall be the next Index Business Day. The Calculation Date is subject to adjustment as described under “Description of the Notes -Redemption; Defeasance” and “Description of the Notes - Market Disruption Events.”

The “Maturity Date” of the Notes will be the third Business Day following the final Index Business Day in the Final Measurement Period.

For more specific information about the Cash Settlement Amount, you should refer to “Description of the Notes.”

### **May the Notes be redeemed prior to maturity?**

You may redeem your Notes as of the last Business Day of each week during the term of the Notes by following the Notice Procedures, which generally require you to send us an email by no later than 10:00 a.m. New York City time

on the date immediately prior to the applicable Redemption Valuation Date and to subsequently complete, execute and deliver to us a redemption confirmation via email by 4:00 p.m. New York City time on the same day. Once the Notice Procedures have been effectively complied with, the Calculation Agent will accelerate the Calculation Date to the relevant Redemption Valuation Date, which will have the effect of automatically accelerating the final Coupon Valuation Date and the Maturity Date with respect to the Notes being redeemed. On the first Business Day following the final Index Business Day of the Final Measurement Period, we or an affiliate will notify you of the Redemption Amount that you will receive with respect to the Notes being redeemed, at which time you must take certain actions with respect to your Depositary Trust Company custodian to complete the redemption process, as further described herein. On the accelerated Maturity Date you will receive an amount per Note in U.S. dollars equal to the Cash Settlement Amount minus a redemption fee of [0.125]% of the Cash Settlement Amount, plus a final coupon payment, if any. You may redeem Notes only in amounts of [75,000] Notes or more. For additional information see “Description of the Notes - Redemption; Defeasance.”

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**Will there be additional offerings of the Notes?**

We may, at our sole discretion, offer further issuances of the Notes. If there is substantial demand for the Notes, we may issue additional Notes frequently. These further issuances, if any, will be consolidated to form a single series with the Notes and will have the same CUSIP number and will trade interchangeably with the Notes immediately upon settlement. Any additional issuance will increase the aggregate principal amount of the outstanding Notes of this series to include the aggregate principal amount of any Notes bearing the same CUSIP number that are issued pursuant to any future issuances of Notes bearing the same CUSIP number. The price of any additional offerings will be determined at the time of pricing of each offering, which price will be a function of the VWAP Levels and prevailing market price of the Notes at the time of the relevant sale.

**What is the Index and who publishes it?**

Standard & Poor's, the Sponsor, computes and publishes the Index in consultation with Alerian Capital Management, LLC, which has contracted with the Sponsor to maintain and calculate the Index. Neither the Sponsor nor Alerian shall have any 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 Sponsor or Alerian, and neither the Sponsor nor Alerian makes any representations regarding the advisability of investing in the Notes.

The Index measures the composite performance of energy oriented Master Limited Partnerships ("MLPs"), and is calculated by the Sponsor using a float-adjusted, market capitalization-weighted methodology. The objective of the Index is to provide investors with an unbiased, comprehensive benchmark for the performance of the energy MLP universe. MLPs are limited partnerships engaged in the exploration, marketing, mining, processing, production, storage or transportation of any mineral or natural resource. The Index is disseminated real-time on a price return basis and is listed on the Chicago Mercantile Exchange (ticker "AMZS").

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

**How has the Index performed historically?**

The Index began publishing on March 16, 2007. The Sponsor has calculated over 11 years of historical Index data on both a price and total return basis based upon the Index methodology described herein. We have provided a table that depicts the monthly performance of the Index from January 2002 to April 2007, and a graph depicting the monthly performance of the Index from December 1995 to April 2007, each based on the application of the index methodology described herein. You can find this table and graph in the section "Description of the Index - Historical Performance of the Index." We have provided this historical information to help you evaluate the behavior of the Index in various economic environments; however, past performance is not indicative of how the Index will perform in the future. You should refer to the section "Risk Factors - The hypothetical Index performance does not represent actual performance."

**Will the Notes be listed on a securities exchange?**

We intend to list the Notes on the New York Stock Exchange under the ticker symbol "BSR." If our application is approved and an active secondary market in the Notes develops, we expect that investors will purchase and sell the Notes primarily in this secondary market. In addition, our subsidiary, Bear, Stearns & Co. Inc. ("Bear Stearns") has advised us that they intend under ordinary market conditions to indicate prices for the Notes on request. However, we cannot guarantee that bids for outstanding Notes will be made; nor can we predict the price at which any such bids will be made. If you sell your Notes prior to maturity, you may receive less than the principal you invested. You

should refer to the section "Risk Factors."

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### **What is the role of Bear Stearns?**

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

Bear Stearns also will be our Calculation Agent for purposes of calculating coupons and the Cash Settlement Amount hereunder. Under certain circumstances, these duties could result in a conflict of interest between Bear Stearns’ status as our subsidiary and its responsibilities as Calculation Agent. You should refer to “Risk Factors - The Calculation Agent is one of our affiliates, which could result in a conflict of interest.”

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

We are a holding company that, through our broker-dealer and international bank subsidiaries, principally Bear Stearns, Bear, Stearns Securities Corp., Bear, Stearns International Limited (“BSIL”) and Bear Stearns Bank plc, is a leading investment banking, securities and derivatives trading, clearance and brokerage firm serving corporations, governments, institutional and individual investors worldwide. For more information about us, please refer to the section “The Bear Stearns Companies Inc.” in the accompanying prospectus. You should also read the other documents we have filed with the 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?**

In general, because the Notes are tied or “linked” to the level of the Index, 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 potential upside exposure to the Index;
- believe that the level of the Index and VWAP Level will increase over the term of the Notes by an amount sufficient to offset the Tracking Fee and, if applicable, the Redemption Fee;
- want the potential to receive dividend income during the term of the Notes;
- seek an investment with an active secondary market; and
- want the flexibility to redeem the Notes prior to maturity.

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

- do not want to place your principal at risk;
- believe that the VWAP Level will decrease or will not increase by an amount to offset the Tracking Fee and the Redemption Fee, if applicable, over the term of the Notes; or
- seek an investment with a fixed return or that makes guaranteed interest payments.

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

The U.S. federal income tax consequences of an investment in the Notes are uncertain. The Issuer and the holders agree (in the absence of an administrative or judicial ruling to the contrary) to treat the Notes for all tax purposes as pre-paid cash-settled executory contracts linked to the value of the Index and, where required, to file information returns with the IRS in accordance with such treatment. Assuming the Notes are treated as pre-paid cash-settled executory contracts, you should generally recognize capital gain or loss to the extent that the cash you receive on the Maturity Date or upon a sale or exchange of the Notes prior to the Maturity Date differs from your tax basis on the Notes (which will generally be the amount you paid for the Notes) and you agree with the Issuer to currently recognize as ordinary income any coupon received in respect of the Notes. However, other treatments are possible. You should review the discussion under the section “Certain U.S. Federal Income Tax Considerations,” and consult with your tax advisor regarding the U.S. federal income tax consequences of an investment in the Notes.

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**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 similar law or any entity the assets of which are deemed to be “plan assets” under ERISA, relevant regulations or otherwise, will be permitted to purchase, hold and dispose of the Notes, subject to certain conditions. Such investors should carefully review the discussion under “Certain ERISA Considerations” in this pricing supplement before investing in the Notes.

**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.

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## RISK FACTORS

Your investment in the Notes involves a degree of risk similar to investing in the Index. You will be subject to significant risks not associated with conventional fixed-rate or floating-rate debt securities. Prospective purchasers should recognize the possibility of a substantial 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 VWAP Levels will fluctuate, and the possibility that you will receive a substantially lower amount of principal than the amount you invested. We have no control over a number of matters that may affect the value of the Notes, including economic, financial, regulatory, geographic, tax, judicial and political events, and that are important in determining the existence, magnitude, and longevity of these risks and their influence on the value of, or the payment made on, the Notes.

**The Notes are not principal protected. At maturity or upon redemption, the Notes may pay less than the principal amount.**

The Notes are not principal protected. If the Final VWAP Level is less than the Initial VWAP Level on the Calculation Date, there will be no principal protection on the Notes and the Cash Settlement Amount you will receive at maturity or upon redemption will be less than the initial offering price. In addition, fees payable to the Issuer will increase any downward performance of the Index. You may receive less, and possibly significantly less, than your initial investment in the Notes.

**Even if the Final VWAP Level is greater than the Initial VWAP Level, you may receive less than the principal amount of your Notes.**

If the monthly dividends that a Reference Holder would be entitled to receive from the Index Components are not sufficient to cover the annualized Tracking Fee of [0.85]%, the amount of Tracking Fee Shortfall will be subtracted from the Cash Settlement Amount and will reduce the amount of your return at maturity. In addition, if you redeem your Notes prior to maturity you will be charged a Redemption Fee equal to [0.125]% of the value of your Notes. If the VWAP Level decreases or does not increase sufficiently during the term of the Notes to offset any accrued Tracking Fee and any applicable Redemption Fee, you will receive less than the principal amount of your investment at maturity or upon redemption of your Notes.

**You will not benefit from any increase in the VWAP Level if such increase is not reflected in the VWAP Level as it is calculated during the Final Measurement Period.**

The Cash Settlement Amount will be based on the Index Ratio, representing the Final VWAP Level divided by the Initial VWAP Level. Even if the VWAP Level as of some date or dates prior to the Final Measurement Period would have been higher than the Initial VWAP Level, you may receive less than the principal amount of your Notes at maturity or upon redemption if the VWAP Level as of such date is lower than the Initial VWAP Level.

**There are restrictions on the minimum number of Notes you may redeem and on the dates on which you may redeem them.**

You must redeem at least [75,000] Notes at one time in order to exercise your right to redeem your Notes prior to maturity. You may only redeem your Notes if you comply with the Notice Procedures described in the section "Description of the Notes-Redemption; Defeasance." If you fail to comply with the Notice Procedures, the Calculation Date will not be accelerated to the relevant Redemption Valuation Date. See "Description of the Notes-Redemption; Defeasance" for more information. You have no right to redeem your Notes in the week in which the Notes mature.

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**You are not guaranteed a coupon payment.**

You will not receive a coupon payment to the extent that, as of any Coupon Payment Date, the amount of gross cash dividends that would have been received by a Reference Holder in respect of a quantity of Index Components held by such Reference Holder on an “ex-dividend date” with respect to any Index Component, which “ex-dividend date” occurred during the period from and including the first Index Business Day following the Initial Measurement Period to and excluding the immediately preceding Coupon Valuation Date would be less than the Tracking Fee for such period. Any shortfall in the Tracking Fee will accrue from month to month, until such time as the accrued Tracking Fee has been deducted from the appropriate Reference Dividend Amount in all prior months. The return on the Notes, therefore, 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.

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

In the ordinary course of our business, we may from time to time express views on expected movements in the Index and any of the Index 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 and the Index Components and not rely on our views with respect to future movements of the Index or the Index Components. You should make such investigation as you deem appropriate as to the merits of an investment linked to the Index.

**Because the treatment of the Notes is uncertain, the material U.S. federal income tax consequences of an investment in the Notes are uncertain.**

Although the Issuer and the holders agree (in the absence of an administrative or judicial ruling to the contrary) to treat the Notes for all tax purposes as pre-paid cash-settled executory contracts linked to the Index, there is no direct legal authority as to the proper tax treatment of the Notes, and therefore significant aspects of the tax treatment of the Notes are uncertain. In particular, it is possible that you will be required to recognize additional income for U.S. federal tax purposes with respect to the Notes beyond the amount of any coupon received on the Notes prior to the sale, exchange or maturity of the Notes, and it is possible that any gain or income recognized with respect to the Notes will be treated as ordinary income rather than capital gain. Prospective investors are urged to consult their tax advisors regarding the U.S. federal income tax consequences of an investment in the Notes. Please read carefully the section “Certain U.S. Federal Income Tax Considerations.”

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

We expect that the level of the Index and the VWAP Level will fluctuate in accordance with changes in the financial condition of the Index Components and certain other factors. The financial condition of the Index Components may become impaired or the general condition of the energy MLP market may deteriorate, either of which may cause a decrease in the level of the Index or the VWAP Level and thus in the value of the Notes. Securities are susceptible to general market fluctuations and to volatile increases and decreases in value, as market confidence in and perceptions regarding the Index Components change. Investor perceptions regarding the Index Components are based on various and unpredictable factors, including expectations regarding government, economic, monetary, tax and fiscal policies, inflation and interest rates, economic expansion or contraction, and global or regional political, economic, and banking crises. The level of the Index and the VWAP Level is expected to fluctuate until the Maturity Date.

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



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

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**The liquidity of the market for the Notes may vary materially over time.**

We intend to sell a portion of the Notes on the Closing Date, and the remainder of the Notes will be offered and sold from time to time through Bear Stearns, our affiliate, as agent. Also, the number of Notes outstanding or held by persons other than our affiliates could be reduced at any time due to early redemptions of the Notes. Accordingly, the liquidity of the market for the Notes could vary materially over the term of the Notes. While you may elect to redeem your Notes prior to maturity, early redemption is subject to the conditions and procedures described elsewhere in this pricing supplement, including the condition that you must redeem at least [75,000] Notes at one time in order to exercise your right to redeem your Notes.

**The price at which you will be able to sell your Notes on the secondary market 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 sell your Notes prior to maturity, there are many factors outside of our control that may affect their value. We believe that the value of your Notes will be primarily affected by the level of the Index, whether the level of the Index is greater than or equal to the level of the Index as of the Pricing Date, 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 on the secondary market prior to maturity may be substantially less than the principal you invested if, at such time, the level of the Index is less than, equal to or not sufficiently above the level of the Index on the Pricing Date. If you sell your Notes on the secondary market prior to maturity, you may receive less, and possibly significantly less, than your initial investment in the Notes. The following paragraphs describe the manner in which we expect the value of the Notes will be affected in the event of a change in a specific factor, assuming all other conditions remain constant.

· *Index performance.* We expect that the value of the Notes prior to maturity will depend substantially on whether the level of the Index is greater than the level of the Index on the Pricing Date. If you decide to sell your Notes on the secondary market when the level of the Index exceeds the level of the Index on the Pricing Date, you may nonetheless receive substantially less than the amount that would be payable at maturity because of expectations that the level of the Index will continue to fluctuate until the Notes mature. Economic, financial, regulatory, geographic, judicial, tax, political, and other developments that affect the Index Components may also affect the level 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.

· *Events involving the Index Components.* General economic conditions and earnings results of the Index Components, and real or anticipated changes in those conditions or results, may affect the value of the Notes. For example, some of the Index Components may be affected by mergers and acquisitions, which can contribute to the volatility of the Index. As a result of a merger or acquisition, one or more Index 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 Index Components originally included in the Index.

· *Size and liquidity of the trading market.* We intend to list the Notes on the New York Stock Exchange. However, a secondary market in the Notes may not develop, which may affect the price that you receive for your Notes upon any sale prior to maturity. If a trading market does develop, there can be no assurance that there will be liquidity in

the trading market. If the trading market for the Notes is limited, there may be a limited number of buyers for your Notes if you do not wish to hold your investment until maturity. This may affect the price you receive upon any sale of the Notes prior to maturity. If you sell the Notes prior to maturity, you may receive less, and possibly significantly less, than your initial investment in the Notes.

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*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 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 as a result of dealer discounts, mark-ups or other transaction costs.

We want you to understand that the effect of one of the factors specified above, such as an increase in interest rates, may offset some or all of any change in the value of the Notes attributable to another factor, such as an increase in the level of the Index. You should also understand that one or more of the factors specified above may have a negative effect on the Redemption Amount that would be received if you were to redeem your Notes prior to maturity.

**Suspensions or disruptions of market trading in the securities markets may adversely affect the Cash Settlement Amount 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 of the Index Components could adversely affect the value of those Index Components and, therefore, the amount of the Cash Settlement Amount and/or the trading value of the Notes.

**You have no partnerships rights or rights to receive any securities.**

Investing in the Notes will not make you a holder of any of the Index Components. Neither you nor any other holder or owner of the Notes will have any voting rights, any right to receive dividends or other distributions or any other rights with respect to the underlying securities. The Cash Settlement Amount, if any, will be paid in U.S. dollars, and you will have no right to receive delivery of any securities of the Index Components.

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

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

Our affiliates, including Bear Stearns, may, at various times, engage in transactions involving the stocks underlying the Index for their proprietary accounts, and for other accounts under their management. These transactions may influence the value of such stocks, and therefore the level of the Index. BSIL, an affiliate of Bear Stearns, or one of its subsidiaries will also be the counterparty to the hedge of our obligations under the Notes. You should refer to the section “Use of Proceeds and Hedging.” Accordingly, under certain circumstances, conflicts of interest may arise between Bear Stearns’ responsibilities as Calculation Agent with respect to the Notes and its obligations under our hedge.

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

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

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

**The Sponsor may change the Index Components in a way that adversely affects the level of the Index and/or the Final VWAP Level and consequently the value of the Notes.**

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

**We cannot control actions by any of the Index Components.**

We are not affiliated with any of the Index Components. Actions by any Index Component may have an adverse effect on the price of its securities, the level of the Index, the Final VWAP Level, and the trading value of the Notes. None of the Index Components are involved in this offering and have no obligations with respect to the Notes, including any obligation to take our or your interests into consideration for any reason. None of the Index Components will 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. None of the Index Components are involved with the administration, marketing or trading of the Notes and have no obligations with respect to the amount to be paid to you under the Notes on the Maturity Date.

We are not affiliated with any of the Index Components and are not responsible for any disclosure by any such Index Component. However, we may currently, or in the future, engage in business with such Index Components. Neither we nor any of our affiliates, including Bear Stearns, assumes any responsibility for the adequacy or accuracy of any publicly available information about the Index or any Index Component. You should make your own investigation into the Index and each Index Component.

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

We and our affiliates are not affiliated in any way with the Sponsor or Alerian (except for the licensing arrangements discussed in the section "Description of the Index—License Agreement") and have no ability to control or predict the actions of the Sponsor or Alerian, including any errors in or discontinuation of disclosure regarding its methods or policies relating to the calculation of the Index. Neither we nor any of our affiliates assumes any responsibility for the

adequacy or accuracy of the information about the Index, the Sponsor or Alerian contained in this pricing supplement. You, as an investor in the Notes, should make your own investigation into the Index, the Sponsor and Alerian. Neither the Sponsor nor Alerian is involved in any way in the offering of the Notes and has no obligation to consider your interests as an owner of Notes when it takes any actions that might affect the value of the Notes.

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**Trading and other transactions by us or our affiliates could affect the prices of the Index Components, the level of the Index, the trading value of the Notes or the Cash Settlement Amount.**

We and our affiliates may from time to time buy or sell shares of Index Components or derivative instruments related to those stocks for our own accounts in connection with our normal business practices or in connection with hedging our obligations under the Notes and other instruments. These trading activities may present a conflict of interest between your interest in the Notes and the interests we and our affiliates may have in our proprietary accounts, in facilitating transactions, including block trades, for our other customers and in accounts under our management. The transactions could affect the prices of those stocks or the 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."

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

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

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

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

We or one or more of our affiliates have published, and may in the future publish, research reports on the Index or the Index 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 price of the Index Components and, therefore, the Final VWAP Level and the value of the Notes.

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

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



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**The Cash Settlement Amount 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 Final VWAP Level by the Calculation Agent may be deferred. You should refer to the section “Description of the Notes - Market Disruption Events.”

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

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

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## DESCRIPTION OF THE NOTES

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

### General

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

The aggregate principal amount of the Notes will be \$[ ]. The Notes are expected to mature on [ ]. The Notes will be issued only in fully registered form, and in minimum denominations of \$[ ]; provided, however, that the minimum purchase for any purchaser domiciled in a member state of the European Economic Area shall be \$100,000. Initially, the Notes will be issued in the form of one or more global securities registered in the name of The Depository Trust Company (“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 \$[ ] principal amount of Notes.

For each Index Business Day in the Initial Measurement Period, your initial investment will be decreased on a straight-line basis (over the total number of Index Business Days in the Initial Measurement Period) and such diminished amount will accrue interest at an interest rate based on the Fed Funds Rate on a daily basis. Such interest amount will be applied towards the purchase of additional Notes.

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.

### Further Issuances

We may, at our sole discretion, offer further issuances of the Notes at offering prices based upon market conditions and VWAP Levels at that time. If there is substantial demand for the Notes, we may issue additional Notes frequently. These further issuances, if any, will be consolidated to form a single series with the Notes and will have the same CUSIP number and will trade interchangeably with the Notes immediately upon settlement. Any additional issuances will increase the aggregate principal amount of the outstanding Notes of this series, plus the aggregate principal amount of any Notes bearing the same CUSIP number that are issued pursuant to any 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 VWAP Levels at the time of the relevant sale.

### Coupon Payments

The Notes will pay a coupon, if any, on each Coupon Payment Date. For each Note you hold, on each Coupon Payment Date you will receive an amount per Note in U.S. dollars equal to the difference between the Reference Dividend Amount minus the Tracking Fee (the “Coupon Amount”).

The “Coupon Payment Date” means the [fifth] Business Day following each Coupon Valuation Date, subject to adjustment as described herein.

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The “Coupon Valuation Date” means the first Business Day of each calendar month during the term of the Notes beginning on [ ], and the last Coupon Valuation Date shall be the Maturity Date, subject to adjustment as described herein.

The “Reference Dividend Amount” means, as of any Coupon Payment Date, an amount equal to the gross cash dividends that would have been received by a Reference Holder in respect of a quantity of Index Components held by such Reference Holder on an “ex-dividend date” with respect to any Index Component, which “ex-dividend date” occurred during the period from and including the first Index Business Day following the Initial Measurement Period to and excluding the immediately preceding Coupon Valuation Date. Any non-cash dividends that would be received by a Reference Holder during any period of determination will be valued in cash by the Calculation Agent and will be included in the gross cash dividend proceeds for purposes of this calculation.

The “Tracking Fee” means, as of any date of determination, an amount per Note equal to the product of [0.070834]% (representing [0.85]% per annum) multiplied by the Current NAV. The Tracking Fee will be increased by an amount equal to any Tracking Fee Shortfall.

The “Current NAV” means, as of any date of determination, an amount per Note equal to the product of (i) the Principal Amount multiplied by (ii) a fraction, the numerator of which is equal to the VWAP Level as of such date and the denominator of which is equal to the Initial VWAP Level, as determined by the Calculation Agent.

The “Reference Holder” is, as of any date of determination, a hypothetical holder of a number of shares of each of the Index Components in the then current weightings as if such holder had invested an amount in the Index as of that date equal to the then equivalent Cash Settlement Amount (as if the Calculation Agent were to determine the Cash Settlement Amount on that date), as determined by the Calculation Agent.

To the extent the Reference Dividend Amount is less than the Tracking Fee on any Coupon Valuation Date, there will be no coupon payment made on the corresponding Coupon Payment Date, and an amount equal to the difference between the Tracking Fee and the Reference Dividend Amount (the “Tracking Fee Shortfall”) in respect of such period will be added to the Tracking Fee for the next Coupon Valuation Date. For the avoidance of doubt, the process will be repeated to the extent necessary until such time as the accrued Tracking Fee has been deducted from the appropriate Reference Dividend Amount in all prior months.

*Illustrative Coupon Example*

The following example illustrates hypothetical coupon calculations. The example is for illustrative purposes only and is not indicative of the future performance of the Index, the Index Components or any coupon payment that may be paid with respect to the Notes. It is impossible to predict what coupon payments will be paid under the Notes. You should not construe this example as an indication or assurance of the expected performance of the Notes or of any coupon payment made thereunder.

The following example is based upon a hypothetical five month term. The example demonstrates how the Tracking Fee will accrue from month to month to the extent the there is Tracking Fee Shortfall. The Tracking Fee will accrue until such time as the Reference Dividend Amount is sufficient to cover the accrued Tracking Fee for all prior months.

| Coupon Valuation Date | Current NAV | Reference Dividend Amount | Tracking Fee | Coupon Payment | Tracking Fee Shortfall |
|-----------------------|-------------|---------------------------|--------------|----------------|------------------------|
| Month 1               | \$37.70     | \$0.19                    | \$0.02670    | \$0.1633       | \$0.00                 |

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|         |         |        |           |         |           |
|---------|---------|--------|-----------|---------|-----------|
| Month 2 | \$40.00 | \$0.00 | \$0.02833 | \$0.00  | \$0.02833 |
| Month 3 | \$45.00 | \$0.00 | \$0.03188 | \$0.00  | \$0.06021 |
| Month 4 | \$35.00 | \$0.25 | \$0.02479 | \$0.165 | \$0.00    |