BEAR STEARNS COMPANIES INC
Form 424B5
June 15, 2006

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

Subject to Completion, dated June 15, 2006
PRICING SUPPLEMENT
(To Prospectus dated February 2, 2005 and
Prospectus Supplement dated February 2, 2005)

The Bear Stearns Companies Inc.

$[ ] Medium-Term Notes, Series B Linked to the Composite Performance of the SGX CNX Nifty Index Futures Contract, Due June [ ], 2009

The Notes are linked to the composite performance of the SGX CNX Nifty Index Futures Contract (meaning the settlement price of the SGX CNX Nifty Index Futures Contract divided by the USD/INR Exchange Rate, the result of such calculation, the "Composite Level") and are not principal protected. Your return on the Notes thus depends upon two independent variables: the settlement price of the SGX CNX Nifty Index Futures Contract on the Calculation Date (as defined below) and the USD/INR Exchange Rate on such date. The SGX CNX Nifty Index Futures Contract is a futures contract traded on the Singapore Exchange Limited that generally reflects the movements of the S&P CNX Nifty Index, which, in turn, tracks movements of certain securities traded on the National Stock Exchange of India Limited.

When we refer to Notes in this pricing supplement, we mean Notes with a principal amount of $1,000. On the Maturity Date, you will receive the Cash Settlement Value, an amount in cash that depends upon the relation of the Final Composite Level to the Initial Composite Level, which in turn depends on the performance of both the Underlying Index and the USD/INR Exchange Rate.

If the Final Composite Level is greater than or equal to the Initial Composite Level, then, on the Maturity Date, you will receive the Cash Settlement Value, an amount per Note in cash equal to the principal amount of the Notes, plus:

$$\$1{,}000 \times [125.00 - 135.00]\% \times \left(\frac{\text{Final Composite Level}}{\text{Initial Composite Level}} - 1\% \right).$$

If the Final Composite Level is less than the Initial Composite Level, you will receive less at maturity, and possibly significantly less, than the principal you invested. In this case, we will pay you, per Note:

$$\$1{,}000 \times \frac{\text{Final Composite Level}}{\text{Initial Composite Level}}.$$

The CUSIP number for the Notes is 073928Q63.

INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. THERE MAY NOT BE A SECONDARY MARKET IN THE NOTES, AND IF THERE WERE TO BE A SECONDARY MARKET, IT MAY NOT BE LIQUID. YOU SHOULD REFER TO "RISK FACTORS" BEGINNING ON PAGE PS-12.

"SPCNX Nifty® Index" is a trademark of India Index Services and Products Ltd. ("IISL"). "SGX" is a trademark of the Singapore Exchange Limited (the "SGX") and has been licensed for use for certain purposes by The Bear Stearns Companies Inc. The Notes are not sponsored, endorsed, sold or promoted by IISL, SGX or Standard & Poor's and none of the foregoing makes any representation 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]	[ ] %	$ [ ]
Agent's discount	[ ] %	$ [ ]
Proceeds, before expenses, to us	[ ] %	$ [ ]

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

*Any additional reissuances will be offered at a price to be determined at the time of pricing of each offering of Notes, which will be a function of the prevailing market conditions and Composite Level at the time of the relevant sale.

We may grant the agents 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 the Pricing Date, against payment in immediately available funds. The distribution of the Notes will conform to the requirements set forth in Rule 2720 of the National Association of Securities Dealers, Inc. Conduct Rules.

Bear, Stearns & Co. Inc.

June [ ], 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 SGX CNX Nifty Index Futures Contract. 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 "Risk Factors" sections in this pricing supplement and 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 composite performance of the SGX CNX Nifty Index Futures Contract, due June [ ], 2009 (the "Notes"), are Notes whose return is tied or "linked" to the settlement price of the SGX CNX Nifty Index Futures Contract divided by the USD/INR Exchange Rate. The SGX CNX Nifty Index Futures Contract generally reflects the movements of the S&P CNX Nifty Index. When we refer to Note or Notes in this pricing supplement, we mean $1,000 principal amount of Notes. The Notes are not principal protected. On the Maturity Date, you will receive the Cash Settlement Value, an amount in cash that depends upon the relation of the Final Composite Level to the Initial Composite Level, which in turn depends on the performance of both the Underlying Index and USD/INR Exchange Rate. If the Final Composite Level is greater than the Initial Composite Level, then, on the Maturity Date, we will pay you the principal amount of the Notes, plus [125.00 - 135.00]% of the percentage increase or decrease in the Composite Level. If the Final Composite Level is less than or equal to the Initial Composite Level, you will receive less, and possibly significantly less, at maturity, than the principal you invested. In this case, we will pay you, per Note, $1,000 multiplied by an amount, in percentage terms, equal to the Final Composite Level divided by the Initial Composite Level.

Selected Investment Considerations

Growth potential The Notes offer the possibility to participate in the potential composite appreciation in the value of the Reference Futures Contract. The return, if any, on the Notes is based upon whether the Final Composite Level is greater than the Initial Composite Level.

Potential leverage in the increase, if any, in the Composite Level The Notes may be an attractive investment for investors who have a bullish view of the composite value of the Reference Futures Contract, in the medium term. If held to maturity, the Notes allow you to participate in [125.00 - 135.00]% of the potential increase in the Composite Level.

Diversification The Composite Level represents the settlement price of the SGX CNX Nifty Index Futures Contract divided by the USD/INR Exchange Rate. The SGX CNX Nifty Index Futures Contract generally reflects the movements of the S&P CNX Nifty Index, which in turn reflects the price movements of 50 securities traded on the National Stock Exchange of India Ltd. The Notes provide exposure to 50 Indian securities, as well as the Indian rupee, and thus may allow you to diversify an existing portfolio or investment.

Low minimum investment Notes can be purchased in increments of $1,000.

Selected Risk Considerations

Possible loss of principal The Notes are not principal protected. If the Final Composite Level is less than the Initial Composite Level, there will be no principal protection on the Notes and the Cash Settlement Value you will receive at maturity will be less than the initial offering price in proportion to the percentage decline in the Composite Level. In that case, you will receive less, and possibly significantly less, than the original public offering price of $1,000.

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. ("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. In any event, the Notes will cease trading as of the close of business on the Maturity Date.

Possible loss of value in the secondary market If you sell your Notes prior to maturity, you may receive less than the amount you originally invested.

No interest, dividend or other payments and no current income During the term of the Notes, you will not receive any interest or other periodic distributions and such payments will not be included in the calculation of the Cash Settlement Value you will receive at maturity. 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.

An increase or decrease in the level of the SGX CNX Nifty Index Futures Contract may be wholly or partially offset by increases or decreases in the Exchange Rate (as defined below) At a time when the level of the SGX CNX Nifty Index Futures Contract increases, the value of the Indian rupee may depreciate against the U.S. dollar, possibly resulting in a net decrease in the Composite Level. Therefore, in calculating the Composite Level, increases or decreases in the value of the SGX CNX Nifty Index Futures Contract may be moderated, or wholly offset, by greater percentage increases or decreases in the USD/INR Exchange Rate.

Taxes The U.S. federal income tax consequences of an investment in the Notes are uncertain. We intend to treat the Notes for federal income tax purposes as pre-paid cash-settled forward contracts linked to the value of the Reference Futures Contract and, where required, to file information returns with the Internal Revenue Service in accordance with such treatment. Assuming the Notes are treated as pre-paid cash-settled forward contracts, you should be required to 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). 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.

KEY TERMS

Issuer:	The Bear Stearns Companies Inc.
Reference Futures Contract:	The SGX CNX Nifty Index Futures Contract is traded on the Singapore Exchange Limited ("SGX" or the "Sponsor") and generally reflects the movements of the S&P CNX Nifty Index. The SGX CNX Nifty Index Futures Contract is denominated in U.S. dollars (Bloomberg ticker symbol IHA <Index>, which reflects the current prompt or nearest to expiry contract). The SGX CNX Nifty Index Future Contract commenced trading in February 2006 and expires on a monthly basis. On the expiration date of the SGX CNX Nifty Index Futures Contract, the settlement price of such contract is expected to equal the closing level of the Underlying Index (defined below), denominated in U.S. dollars and rounded to two decimal places; however, there are no assurances that this will occur. In addition, the expiration date of the SGX CNX Nifty Index Futures Contract may occur on a different date than the Calculation Date. On any trading day, the settlement price of the SGX CNX Nifty Index Futures Contract is determined by the Sponsor based on the National Stock Exchange of India Limited ("NSE") CNX Nifty Index futures contract last traded price at the close of their session (absent unusual circumstances).
Underlying Index:	The S&P CNX Nifty Index (the "Underlying Index") is calculated, published and disseminated by the India Index Services and Products Ltd. ("IISL" or "Underlying Index Sponsor"). The Underlying Index reflects the price movements of 50 securities traded on the National Stock Exchange of India Ltd. ("NSE"), representing 56.50% of the total market capitalization of the Indian stock market as of March 31, 2006.
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.
Issue Price	The issue price for each Note is 100% of the principal amount ($1,000); provided, however, investors who purchase an aggregate principal amount of at least $1,000,000 of Notes will be entitled to purchase the Notes for 99.00% of the principal amount.

Face amount: Each Note will be issued in minimum denominations of $1,000 and $1,000 multiples thereafter; provided, however, that the minimum purchase for any purchaser domiciled in a Member state of the European Union 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.

Upside Participation Rate: [125.00 - 135.00]%.

Cash Settlement Value: If the Final Composite Level is greater than or equal to the Initial Composite Level, then, on the Maturity Date, you will receive the Cash Settlement Value, an amount per Note in cash equal to the principal amount of the Notes, plus:

$$\$1,000 \text{ x } [125.00 \quad 135.00]\% \text{ x } \frac{\text{Final Composite Level}}{\text{Initial Composite Level}} \quad 1 \quad .$$

If the Final Composite Level is less than the Initial Composite Level, you will receive less at maturity, and possibly significantly less, than the principal you invested. In this case, we will pay you, per Note:

$$\$1,000 \text{ x } \frac{\text{Final Composite Level}}{\text{Initial Composite Level}} \quad .$$

Exchange Rate: Equals the USD/INR "spot" exchange rate at approximately 10:00 a.m. New York time on the applicable Business Day, expressed as the number of Indian rupees per one U.S. dollar, as determined by the Calculation Agent (Bloomberg ticker symbol INR <Curncy>).

Initial Exchange Rate: Equals the Exchange Rate on the Pricing Date.

Final Exchange Rate: Equals the Exchange Rate on June [ ], 2009, the "Calculation Date."

Futures Level: The settlement price of the Reference Futures Contract (prompt month), as determined by the Sponsor, on the applicable Business Day.

Composite Level: Equals the Futures Level on the applicable Business Day divided by the Exchange Rate on that same Business Day.

Initial Composite Level: Equals the Futures Level on the Pricing Date divided by the Initial Exchange Rate.

Final Composite Level:	Will be determined by the Calculation Agent and will equal the Futures Level on the Calculation Date divided by the Final Exchange Rate.
Composite Return:	$\left(\frac{\text{Final Composite Level}}{\text{Initial Composite Level}} - 1\right)$
Pricing Date:	June [ ], 2006.
Maturity Date:	The Notes will mature on June [ ], 2009.
Exchange listing:	The Notes will not be listed on any securities exchange.
Business Day:	Means any day other than a Saturday or Sunday, on which banking institutions are not authorized or obligated by law or executive order to be closed in the cities of New York, New York; London, England; Singapore; and Mumbai, India. In any cases where any date specified herein for any payment under the Notes or other action required to be taken in connection therewith shall not be a Business Day, then such payment date will be, or such other required action will be taken on, the immediately succeeding Business Day (except as otherwise described herein).
Currency Business Day:	Means a day, as determined by the Calculation Agent in its sole discretion, other than a Saturday or Sunday, on which commercial banks are not authorized or obligated by law or executive order to be closed (including dealings in foreign exchange and foreign currency deposits) in the principal financial centers in the U.S. and India.
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 and 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 Union 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 Composite Level, which is the Reference Futures Contract divided by the USD/INR Exchange Rate. The Notes will not bear interest and no other payments will be made prior to maturity. See the section "Risk Factors."

The Notes will mature on June [ ], 2009. 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 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 and offer the opportunity to participate in [125.00 - 135.00]% of the positive performance of the Composite Level, if any. If, at maturity, the Final Composite Level is less than the Initial Composite Level, you will receive less, and possibly significantly less, than the original public offering price of $1,000 per each $1,000 principal amount of Notes.

What will I receive at maturity of the Notes?

Your investment may result in a loss because the Notes are not principal protected. On the Maturity Date you will receive the Cash Settlement Value, an amount in cash that depends upon the relation of the Final Composite Level to the Initial Composite Level. At maturity, if the Final Composite Level is less than the Initial Composite Level, the Cash Settlement Value will be less than the initial offering price in proportion to the percentage decline in the Composite Level. In such a case, the principal amount of your investment is not protected and you will receive less, and possibly significantly less, than the initial public offering price of $1,000 per Note.

If the Final Composite Level is greater than or equal to the Initial Composite Level, then, on the Maturity Date, you will receive the Cash Settlement Value, an amount per Note in cash equal to the principal amount of the Notes, plus:

$$\$1{,}000 \text{ x } [125.00 \quad 135.00]\% \text{ x } \frac{\text{Final Composite Level}}{\text{Initial Composite Level}} \quad 1 \quad .$$

If the Final Composite Level is less than the Initial Composite Level, you will receive less at maturity, and possibly significantly less, than the principal you invested. In this case, we will pay you, per Note:

$$\$1{,}000 \text{ x } \frac{\text{Final Composite Level}}{\text{Initial Composite Level}}$$

The "Composite Level" equals the Futures Level on the applicable Business Day divided by the Exchange Rate on that same Business Day.

The "Futures Level" equals the settlement price of the Reference Futures Contract (prompt month), as determined by SGX, on the applicable Business Day.

The "Exchange Rate" equals the USD/INR exchange rate at approximately 10:00 a.m. New York time on the applicable Business Day, expressed as the number of Indian rupees per one U.S. dollar, as determined by the Calculation Agent (Bloomberg ticker symbol INR <Curncy>).

The "Initial Composite Level" equals the Futures Level on the Pricing Date divided by the Initial Exchange Rate.

The "Initial Exchange Rate" equals the Exchange Rate on the Pricing Date.

The "Final Composite Level" will be determined by the Calculation Agent and will equal the Futures Level on the Calculation Date divided by the Final Exchange Rate.

The "Final Exchange Rate" will equal the Exchange Rate on June [ ], 2009, the "Calculation Date."

The "Composite Return" equals: $\dfrac{\text{Final Composite Level}}{\text{Initial Composite Level}} \quad 1$.

The "Maturity Date" of the Notes is June [ ], 2009.

A "Business Day" will be any day other than a Saturday or Sunday, on which banking institutions are not authorized or obligated by law or executive order to be closed in the cities of New York, New York; London, England; Singapore; and Mumbai, India. In any cases where any date specified herein for any payment under the Notes or other action required to be taken in connection therewith shall not be a Business Day, then such payment date will be, or such other required action will be taken on, the immediately succeeding Business Day (except as otherwise described herein).

For more specific information about the Cash Settlement Value and for illustrative examples, you should refer to "Description of the Notes."

Will there be additional offerings of the Notes?

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

Are the Notes principal protected?

No. The Notes are not principal protected and your principal investment in the Notes is at risk of loss. If the Final Composite Level is less than the Initial Composite Level, the Cash Settlement Value you will receive will be proportionally less than the initial offering price, in proportion to the percentage decline in the Composite Level. In this case your investment will result in a loss.

Will I receive interest on the Notes?

You will not receive any interest or dividend payments on the Notes, but will instead receive the Cash Settlement Value upon maturity of the Notes.

What is the Reference Futures Contract?

Unless otherwise stated, information on the Reference Futures Contract is derived from the Sponsor or other publicly available sources.

The Reference Futures Contract is the SGX CNX Nifty Index Futures Contract. The Reference Futures Contract is traded on the Singapore Exchange Limited ("SGX") and generally reflects the movements of the Underlying Index. Although the Underlying Index is calculated in the local currency, the Indian rupee, the Reference Futures Contract is denominated in U.S. dollars. On the expiration date of the Reference Futures Contract, the settlement price of such contract is expected to equal the closing level of the Underlying Index, denominated in U.S. dollars and rounded to two decimal places; however, there are no assurances that this will occur. In addition, the expiration date of the SGC CNX Nifty Index Futures Contract may occur on a different date from the Calculation Date. On any trading day, the settlement price of the Reference Futures Contract is determined by the Sponsor based on the National Stock Exchange of India Limited ("NSE") CNX Nifty Index futures contract last traded price at the close of their session (absent unusual circumstances). For the avoidance of doubt, the value of the Reference Futures Contract, while denominated in U.S. dollars, is not adjusted for changes in the USD/INR Exchange Rate. The SGX is closed for trading in the Reference Futures Contract on days when the NSE of is closed for trading because of scheduled India holidays. The SGX CNX Nifty Index Futures Contract commenced trading in February 2006.

An investment in the Notes does not entitle you to any ownership interest in the Reference Futures Contract.

What is the Underlying Index?

Unless otherwise stated, information on the Underlying Index is derived from the Underlying Index Sponsor or other publicly available sources.

The Underlying Index is the S&P CNX Nifty Index. The Underlying Index is calculated, published and disseminated by the India Index Services and Products Ltd., a joint venture between the NSE and CRISIL Ltd. (formerly the Credit Rating Information Services of India Limited). India Index Services and Products Ltd. has a consulting and licensing agreement with Standard & Poor's (S&P). The Underlying Index is a diversified 50 stock market capitalization weighted index comprising securities traded on the NSE. The Underlying Index covers 25 sectors of the economy and, as of March 31, 2006, includes securities with a market capitalization representing 56.50% of the total market capitalization of the Indian stock markets.

An investment in the Notes does not entitle you to any ownership interest in the Underlying Index.

How has the Underlying Index performed historically?

We have provided a table showing the monthly performance of the Underlying Index from January 2001 through May 2006. You can find these tables in the section "Description of the Reference Futures Contract Historical Data on the Underlying Index." We have provided this historical information to help you evaluate the behavior of the Underlying Index in various economic environments; however, past performance is not indicative of how the Underlying Index will perform in the future. You should refer to the section "Risk Factors The historical performance of the Underlying Index is not an indication of the future performance of the Underlying Index."

What is the Exchange Rate?

The Exchange Rate is the relationship between the Indian rupee and the U.S. dollar on the applicable Business Day, and is expressed as the number of Indian rupees which are required to purchase one U.S. dollar. If the Indian rupee depreciates against the U.S. dollar, the Exchange Rate increases, because more

Indian rupees are required to purchase one U.S. dollar. If the Indian rupee appreciates against the U.S. dollar, the Exchange Rate decreases, because fewer Indian rupees are required to purchase one U.S. dollar.

For more specific information about the Exchange Rate, please see the section "Description of the Exchange Rate."

How has the Exchange Rate performed historically?

We have provided a graph showing the performance of the Exchange Rate during the period from January 2001 through May 2006. You can find these tables in the section "Description of the Exchange Rate Historical Data on the Exchange Rate" in this pricing supplement. We have provided this historical information to help you evaluate the behavior of the Exchange Rate in various economic environments; however, please note that past performance is not indicative of how the Exchange Rate will perform in the future. You should refer to the section "Risk Factors The historical performance of the Exchange Rate is not an indication of the future performance of the Exchange Rate."

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. 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. In any event, the Notes will cease trading as of the close of business on the Maturity Date. You should refer to the section "Risk Factors."

What is the role of Bear Stearns?

Bear Stearns will be our agent for the offering and sale of the Notes. After the initial offering, Bear Stearns intends, under ordinary market conditions, 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 if they are begun.

Bear Stearns also will be our Calculation Agent for purposes of calculating the Cash Settlement Value. Under certain circumstances, these duties could result in a conflict of interest between Bear Stearns' status as our subsidiary and its responsibilities as Calculation Agent. Bear Stearns is obligated to carry out its duties and functions as Calculation Agent in good faith, and using its reasonable judgment. Manifest error by the Calculation Agent, or any failure by it to act in good faith, in making a determination adversely affecting the payment of principal, interest or premium on principal to the registered holders of the Notes (the "Holders") would entitle the Holders, or the Trustee acting on behalf of the Holders, to exercise rights and remedies available under the Indenture. If the Calculation Agent uses its discretion to make a determination, the Calculation Agent will notify the Company and the Trustee, who will provide notice to the Holders. You should refer to "Risk Factors The Calculation Agent is one of our affiliates, which could result in a conflict of interest."

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

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

Exchange Commission ("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 settlement price of the SGX CNX Nifty Index Futures Contract divided by the USD/INR Exchange Rate (the result of such calculation, the "Composite Level"), they may be appropriate for investors with specific investment horizons who seek to participate in the potential price appreciation of the Composite Level. In particular, the Notes may be an attractive investment for investors who:

- want potential upside exposure to the Composite Level;
- believe that the Composite Level will increase over the term of the Notes;
- are willing to risk the possible loss of 100% of their investment in exchange for the opportunity to participate in [125.00 - 135.00]% of the appreciation, if any, in the Composite Level; and
- are willing to forgo interest payments or dividend payments.

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

- seek full principal protection under all market conditions;
- seek an investment with an active secondary market;
- are unable or unwilling to hold the Notes until maturity;
- do not have a bullish view of the Composite Level in the medium term; or
- seek an investment with a fixed return, current income or dividend 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. We intend to treat the Notes for all tax purposes as pre-paid cash-settled forward contracts linked to the value of the Reference Futures Contract and, where required, to file information returns with the Internal Revenue Service in accordance with such treatment. Assuming the Notes are treated as pre-paid cash-settled forward contracts, you should be required to 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). 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.

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") or a plan that is subject to Section 4975 of the Internal Revenue Code, including individual retirement accounts, individual retirement annuities or Keogh plans, 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 only on the condition that such plan or entity makes the deemed representation that its purchase, holding and disposition of the Notes will not constitute a prohibited transaction under ERISA or Section 4975 of the Internal Revenue Code for which an exemption is not available. Government plans subject to any substantially similar law will also be subject to this condition.

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 involves a degree of risk similar to investing in the securities comprising the Underlying Index and will be subject to 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 Reference Futures Contract will fluctuate, the possibility that the Exchange Rate 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, 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.

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

The Notes are not principal protected. If the Final Composite Level is less than the Initial Composite Level, there will be no principal protection on the Notes and the Cash Settlement Value you will receive will be less than the initial offering price, in proportion to the percentage decline in the Composite Level. You may receive less, and possibly significantly less, than the original public offering price of $1,000 per Note.

You will not receive any interest payments on the Notes. Your yield may be lower than the yield on a conventional debt security of comparable maturity.

You will not receive any periodic payments of interest or any other periodic payments on the Notes. On the Maturity Date, you will receive a payment per Note equal to the Cash Settlement Value. Thus, the overall return you earn on your Notes may be less than that you would have earned by investing in a non-indexed and non-currency-related debt security of comparable maturity that bears interest at a prevailing market rate and is principal protected. 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 Cash Settlement Value and for illustrative examples, you should refer to the section "Description of the Notes."

Your yield will not reflect dividends on the stocks that comprise the Underlying Index.

The Underlying Index does not reflect the payment of dividends on the stocks comprising the Underlying Index. Therefore, the yield based on the Reference Futures Contract to the maturity of the Notes will not produce the same yield as if you had purchased such underlying stocks and held them for a similar period. You should refer to "Description of the Notes."

The settlement price of the Reference Futures Contract may diverge from the level of the Underlying Index.

The settlement price of the Reference Futures Contract on any trading day is determined by the Sponsor based on the NSE CNX Nifty Index futures contract last traded price at the close of their session (absent unusual circumstances). Parties participating in the trading of the NSE CNX Nifty Index futures contract may be influenced by different factors and considerations than those investing in the stocks comprising the Underlying Index and the closing price of that futures contract will reflect market expectations regarding the level of the Underlying Index on the expiration date of the futures contract, rather than the level of the Underlying Index on that trading day. Therefore, there may be a discrepancy between the Futures Level and the level of the Underlying Index. We expect that on the final settlement day of each Reference Futures Contract, the Futures Level (i.e., the settlement price of the Reference Futures Contract) and the Underlying Index will be equal; however, we can give no assurances that this will occur. In addition, the final settlement date of the Reference Futures Contract may occur on a different date than the Calculation date.

The settlement price of the Reference Futures Contract and the Exchange Rate may not move in tandem.

Your return is dependent upon two independent variables: the Futures Level (i.e., the settlement price of the Reference Futures Contract) and the USD/INR Exchange Rate. An increase or decrease in the Futures Level may be wholly or partially offset by increases or decreases in the Exchange Rate. At a time when the Futures Level increases, the value of the Exchange Rate may also increase (i.e., the Indian rupee may depreciate against the U.S. dollar), which may result in a net decrease in the Composite Level. Therefore, in calculating the Composite Level, increases or decreases in the value of the Futures Level may be moderated, or wholly offset, by greater percentage increases or decreases in the Exchange Rate.

You must rely on your own evaluation of the merits of an investment linked to the performance of the Reference Futures Contract and the Exchange Rate.

In the ordinary course of our business, we may from time to time express views on expected movements in the Reference Futures Contracts, Underlying Index, the securities comprising the Underlying Index, the foreign currency markets and the currencies to which the Exchange Rate relates. These views may vary over differing time horizons and are subject to change without notice. Moreover, other professionals who deal in the futures contract, securities or currency markets may at any time have views that differ significantly from ours. In connection with your purchase of the Notes, you should investigate the Reference Futures Contracts, Underlying Index, the securities comprising the Underlying Index, the foreign currency markets and the currencies to which the Exchange Rate relates and not rely on our views with respect to future movements in the Composite Level. You should make such investigation as you deem appropriate as to the merits of an investment linked to the performance of the Reference Futures Contract and the USD/INR Exchange Rate.

Your return may be affected by factors affecting international securities markets.

The stocks comprising the Underlying Index are issued by international companies. Investors should be aware that investments linked to the value of international equity securities might involve particular risks. The international securities markets may have less liquidity and could be more volatile than the U.S. or other longer-established international securities markets. Direct or indirect government intervention to stabilize the international securities markets, as well as cross-shareholdings in international companies, may affect trading prices and volumes in those markets. Also, there is generally less publicly available information about international companies than about those U.S. companies that are subject to the reporting requirements of the SEC; and international companies are often subject to accounting, auditing and financial reporting standards and requirements that differ from those applicable to U.S. reporting companies. The other special risks associated with investments linked to the value of international equity securities may include, but are not necessarily limited to: the imposition of taxes; higher transaction and custody costs; settlement delays and risk of loss; difficulties in enforcing contracts; smaller market capitalizations; less rigorous regulation of securities markets; governmental interference; and higher inflation. These factors may adversely affect the performance of the Underlying Index and, in turn, the Reference Futures Contract, and, as a result, the Cash Settlement Value may be adversely affected.

The prices and performance of stocks comprising the Underlying Index also may be affected by political, economic, financial and social factors or uncertainties. In addition, the international securities markets may be adversely affected by recent or future changes in the government, by economic and fiscal policies, by the possible imposition of, or changes in, currency exchange laws or other laws or restrictions, and by possible fluctuations in the rate of exchange between currencies. Moreover, the economy of India may differ favorably or unfavorably from that of the United States.

Equity 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 Reference Futures Contract will fluctuate in accordance with changes in the financial conditions of the companies issuing the securities comprising the Underlying Index, the value of the underlying securities generally and other factors. The financial conditions of the issuers of the securities comprising the Underlying Index may become impaired or the general condition of the Indian equity markets may deteriorate, either of which may cause a decrease in the value of the Underlying Index and the Reference Futures Contract 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 comprising the Underlying Index change. Investor perceptions regarding the companies issuing the securities comprising the Underlying Index are based on various and unpredictable factors, including expectations regarding government, economic, monetary and fiscal policies, inflation and interest rates, economic expansion or contraction, and global or regional political, economic, and banking crises. The value of the Reference Futures Contract may be expected to fluctuate until the Maturity Date.

If a secondary market develops, the hours of trading for the Notes may not conform to the hours during which the Reference Futures Contract or the stocks comprising the Underlying Index are traded.

To the extent that U.S. markets are closed while other markets remain open, significant price and rate movements may take place in the markets for the Reference Futures Contracts or the stocks comprising the Underlying Index that will not be reflected immediately in the price of the Notes.

As a result of the time difference among India (where the stocks comprising the Underlying Index trade), Singapore (where the Reference Futures Contract trades) and New York City (where the Notes may trade), there may be discrepancies in price and rate movements among the stocks comprising the Underlying Index, the Reference Futures Contracts and the trading prices of the Notes. In addition, there may be periods when the international securities markets are closed for trading (for example during holidays in the respective country), causing the level of the Underlying Index or Reference Futures Contract to remain unchanged for multiple New York City trading days.

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

The historical performance of the Underlying Index, which is included in this pricing supplement, should not be taken as an indication of the future performance of the Underlying Index. While the trading prices of the stocks comprising the Underlying Index will determine the Futures Level, it is impossible to predict whether the Futures Level will fall or rise during the term of the Notes. Trading prices of the stocks comprising the Underlying Index will be influenced by the complex and interrelated economic, financial, regulatory, geographic, judicial, political, and other factors that can affect the equity markets generally and by various circumstances that can influence the value of a particular underlying security.

Changes that affect the Reference Futures Contract or the calculation of the Underlying Index will affect the trading value of the Notes and the amount you will receive at maturity.

Other than as disclosed in this pricing supplement, the issuer has no written agreement or other understanding with or relationship to the Sponsor or the Underlying Index Sponsor with respect to the Notes offering, or otherwise. The Sponsor hosts the trading of the Reference Futures Contract, and the Underlying Index Sponsor is responsible for calculating and maintaining the Underlying Index. The policies of the Sponsor concerning the trading of the Reference Futures Contract and the policies of the Underlying Index Sponsor concerning the calculation of the Underlying Index will affect the value of the Underlying Index and, therefore, will affect the trading value of the Notes and the Cash Settlement Value.

If the Reference Futures Contract ceases to trade or if the Underlying Index Sponsor discontinues or suspends the trading of the Underlying Index, it may become difficult to determine the trading value of the

Notes or the Cash Settlement Value. If either of these occurs, the Calculation Agent will determine the value of the Notes in its sole discretion. 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 Reference Futures Contract ceases to trade at any time prior to the Maturity Date and a Successor Futures Contract 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 the Maturity Date by reference to the closing level of the Underlying Index as calculated and published by the Underlying Index Sponsor. (If at such time the Underlying Index Sponsor has discontinued or suspended calculation of the Underlying Index and a Successor Underlying Index 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 the Maturity Date by reference to a group of stocks and a computation methodology that the Calculation Agent determines in its sole discretion will as closely as reasonably possible replicate the Underlying Index). The settlement price of the Reference Futures Contract and the value of the Underlying Index are only some of the factors that will affect this determination and the value of the Notes prior to maturity. See "Description of the Notes Discontinuance of the Reference Futures Contract" and "Description of the Reference Futures Contract."

The Notes are subject to foreign exchange risk.

Your return on the Notes will be based, in part, upon the USD/INR Exchange Rate. The price relationship between the U.S. dollar and the Indian rupee may be highly volatile and varies based on a number of interrelated factors, including the supply and demand for each currency, political, economic, legal, financial, accounting and tax matters and other actions that we cannot control. Relevant factors include, among other things, the possibility that exchange controls could be imposed or modified, the possible imposition of other regulatory controls or taxes, the overall growth and performance of the U.S. and Indian economies, the trade and current account balance between the U.S. and India, market interventions by the central banks, inflation, interest rate levels, the performance of the global stock markets, the stability of the relevant governments and banking systems, wars, major natural disasters and other foreseeable and unforeseeable events. In addition, the value of a currency may be affected by the operation of, and the identity of persons and entities trading on, interbank and interdealer foreign exchange markets.

The Indian rupee and U.S. dollar trade around-the-clock; however, if a secondary market develops, the Notes may trade only during regular trading hours in the United States.

The interdealer market for the Indian rupee and U.S. dollar is a global, around-the-clock market. Therefore, if a secondary market develops, the hours of trading for the Notes may not conform to the hours during which the Indian rupee and the U.S. dollar are traded. To the extent that U.S. markets are closed while markets for the Indian rupee and the U.S. dollar remain open, significant price and rate movements may take place in the underlying international exchange markets that will not be reflected immediately in the price of the Notes. There may not be any systematic reporting of last-sale or similar information for international currencies. Reasonable current bid and offer information is available in certain brokers' offices and to others who wish to subscribe for this information, but this information may not necessarily reflect the spot rate relevant for determining the value of the Notes. The absence of last-sale information and the limited availability of quotations to individual investors make it difficult for many investors to obtain timely, accurate data about the state of the underlying international exchange markets.

Because the Notes involve Exchange Rate risk, the amount you receive at maturity could be affected by the actions of the relevant sovereign governments.

Exchange rates of most economically developed nations, including those of the U.S. and India are "floating," meaning the rate is permitted to fluctuate in value. However, governments, from time to time, may not allow their currencies to float freely in response to economic forces. Moreover, governments, including those of the United States and India, may use a variety of techniques, such as intervention by their central bank or imposition of regulatory controls or taxes, to affect the exchange rates of their respective currencies. Governments also may issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by devaluation or revaluation of a currency. Thus, a special risk in purchasing Notes relating to one or more foreign currencies is that their liquidity, their trading value and the amount you will receive at maturity could be affected by the actions of sovereign governments which could change or interfere with currency valuation and the movement of currencies across borders. There will be no adjustment or change in the terms of the Notes in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of the issuance of a replacement currency or in the event of any other development affecting the relevant currencies.

Since 1991, the Indian government has pursued policies of market-oriented reforms, including liberalized foreign investment and exchange regimes, but the government's role in the economy has remained significant. The Indian government has the ability to restrict the conversion of rupees into foreign currencies, and under certain circumstances investors that seek to convert rupees into foreign currency must obtain the approval of the Reserve Bank of India.

The historical performance of the Exchange Rate is not an indication of the future performance of the Exchange Rate.

The historical performance of the Exchange Rate, which is included in this pricing supplement, should not be taken as an indication of the future performance of the Exchange Rate. It is impossible to predict whether the Exchange Rate will fall or rise during the term of the Notes. The Exchange Rate will be influenced by the complex and interrelated economic, financial, regulatory, geographic, judicial, political and other factors that can affect the capital markets generally and currency trading markets in particular, and by various circumstances that can affect the value of a particular currency in relation to another currency.

Higher future level of the Underlying Index relative to its current level may decrease the amount payable at maturity.

The Reference Futures Contract is a futures contract on the Underlying Index. Unlike equities, which typically entitle the holder to a continuing stake in a corporation, futures contracts normally specify a certain date for delivery. As the exchange-traded futures contracts approach expiration, they are replaced by contracts that have a later expiration. Thus, for example, a contract purchased and held in August may specify an October expiration. As time passes, the contract expiring in October is replaced by a contract for delivery in November. This process is referred to as "rolling." If the market prices for these contracts is lower in the distant delivery months than in the nearer delivery months, the sale of the October contract would take place at a price that is higher than the price of the November contract, thereby creating a "roll yield." Backwardation occurs when the prices of futures contracts are lower in the distant delivery months than in the nearer delivery months. While the Reference Futures Contract may have historically exhibited consistent periods of backwardation, backwardation will most likely not exist at all times.

Suspensions or disruptions of trading in the futures markets may adversely affect the amount you will receive at maturity and/or the trading value of the Notes.

The futures contract 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. In addition, the SGX has regulations that limit the amount of fluctuation in futures contract prices that may occur during a single trading day. These limits are referred to as "daily price limits." Whenever the price moves by 10% in either direction from the previous day's settlement price, trading at or within a "price limit" of 10% is allowed for the next 10 minutes. Thereafter, trading is allowed within an expanded price limit of 20% above or below the previous day's settlement price. When this limit is reached, there is a further 10-minute cooling off period. Thereafter, there is no price limit for the rest of the day. Daily price limits may have the effect of precluding trading in a particular contract or forcing the liquidation of contracts at disadvantageous times or prices.

You do not have any rights to receive the stocks comprising the Underlying Index, Indian rupees or Reference Futures Contracts.

Investing in the Notes will not make you a holder of a Reference Futures Contract, of any of the stocks comprising the Underlying Index or of Indian rupees. You will have no right to receive delivery of any stock comprising the Underlying Index. The Notes will be paid in U.S. dollars, and you will have no right to receive delivery of Indian rupees underlying the Exchange Rate. You will not have the rights that holders of exchange-traded futures contracts may have.

The U.S. federal income tax consequences of an investment in the Notes are uncertain.

Although we intend to treat the Notes for all tax purposes as pre-paid cash-settled forward contracts linked to the Reference Futures Contract, 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 income for U.S. federal tax purposes with respect to 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. 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.

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 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 Futures Level and Exchange Rate, whether the Composite Level is greater than or equal to the Initial Composite Level, changes in interest rates in the U.S. and India, 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 Composite Level is less than, equal to or not sufficiently above the Initial Composite Level or if the value of the Exchange Rate is greater than, equal to or not sufficiently below the Initial Exchange Rate. The following paragraphs describe the manner in which we expect that 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.

Composite Level performance. We expect that the value of the Notes prior to maturity will depend substantially on whether the Composite Level is greater than the Initial Composite Level. If you decide to sell your Notes when the Composite Level exceeds the Initial Composite Level, you may nonetheless receive substantially less than the amount that would be payable at maturity based on that Composite Level because of expectations that the Composite Level will continue to fluctuate until the Final Composite Level is determined. Economic, financial, regulatory, geographic, judicial, political and other developments that affect the stocks comprising the Underlying Index may also affect the Composite Level and, thus, the value of the Notes.

Level of the Exchange Rate. We expect that the trading value of the Notes also will depend substantially on the amount, if any, by which the Exchange Rate at any given time is less than the Initial Exchange Rate (i.e., by the amount, if any, of appreciation in the value of the Indian rupee against the U.S. dollar). If you decide to sell your Notes when the Exchange Rate is less than the Initial Exchange Rate, you may nonetheless receive substantially less than the amount that would be payable at maturity based on that Exchange Rate because of expectations that the Exchange Rate will continue to fluctuate until the Final Exchange Rate is determined. General economic, political, legal, financial and other developments that affect the Exchange Rate may also affect the trading value of the Notes.

Volatility of the Underlying Index and Exchange Rate. Volatility is the term used to describe the size and frequency of market fluctuations. If the volatility of the Underlying Index or Exchange Rate increases or decreases, the trading value of the Notes may be adversely affected. The volatility of the Underlying Index may increase the risk that the Futures Level will decline, which could negatively affect the trading value of the Notes. Generally, if the volatility of the Exchange Rate decreases, the trading value of the Notes will decrease; and, if the volatility of the Exchange Rate increases, the trading value of the Notes will increase The effect of the volatility of the Underlying Index and the Exchange Rate 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 the U.S. and India. In general, if U.S. interest rates increase, the value of the Notes may decrease, and if U.S. interest rates decrease, the value of the Notes may increase. In addition, increases in U.S. interest rates relative to interest rates in India may increase the future value of the U.S. dollar relative to the Indian rupee, which would generally tend to decrease the value of the Notes; and decreases in U.S. interest rates, relative to interest rates in India may decrease the future value of the U.S. dollar relative to the Indian rupee, which would generally tend to increase the value of the Notes. Interest rates also may affect the economies of the U.S. and India and, in turn, the Exchange Rate or the value of the Underlying Index, which would affect the value of the Notes.

Our credit ratings, financial condition and results of operations. Actual or anticipated changes in our current credit ratings, 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 Composite Level, 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. As the time remaining to maturity of the Notes decreases, the "time premium" associated with the Notes will decrease. A "time premium" results from expectations concerning the Component 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. As the time remaining to maturity decreases, the trading value of the Notes may be less sensitive to the volatility of the Composite Level.

Events involving the companies issuing the stocks comprising the Underlying Index. General economic conditions and earnings results of the companies whose stocks underlie the Underlying Index, and real or anticipated changes in those conditions or results, may affect the trading value of the Notes. Some of the stocks comprising the Underlying Index may be affected by mergers and acquisitions, which can contribute to volatility of the Composite Level. As a result of a merger or acquisition, one or more stocks comprising the Underlying Index may be replaced with a surviving or acquiring entity's securities. The surviving or acquiring entity's securities may not have the same characteristics as the stock originally included in the Underlying 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. Therefore, there may not be a secondary market in the Notes, which may affect the price that you receive for your Notes upon any sale prior to maturity. If a trading market does develop, there can be no assurance that it will be liquid. 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. Bear Stearns has advised us that they intend under ordinary market conditions to indicate prices for the Notes on request. However, we cannot guarantee that bids for outstanding Notes will be made in the future; nor can we predict the prices at which any such bids will be made.

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.

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 Composite Level.

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 Futures Level, or deciding whether a Market Disruption Event or a Currency Disruption Event has occurred. You should refer to "Description of the Notes Discontinuance of the Reference Futures Contract," " Market Disruption Events," " Discontinuance of the Exchange Rate" and " Currency Disruption Events." Because Bear Stearns is our affiliate, and because Bear Stearns and our other affiliates may at times engage in transactions in the Reference Futures Contract, in the NSE CNX Nifty Index futures contract, in the stocks that make up the Underlying Index or in the currencies comprising the Exchange Rate for their proprietary accounts and for other accounts under their management, conflicts of interest may arise in connection with Bear Stearns performing its role as Calculation Agent. Bear Stearns is obligated to carry out its duties and functions as Calculation Agent in good faith, and using its reasonable judgment. Manifest error by the Calculation Agent, or any failure by it to act in good faith, in making a determination adversely affecting the payment of principal, interest or premium on principal to Holders would entitle the Holders, or the Trustee acting on behalf of the Holders, to exercise rights and remedies available under the Indenture. If the Calculation Agent uses its discretion to make a determination, the Calculation Agent will notify the Company and the Trustee, who will provide notice to the registered holders of the Notes.

Trading and other transactions by us and our affiliates may affect the prices of the stocks comprising the Underlying Index, the level of the Underlying Index, the prices of the currencies comprising the Exchange Rate, the level of the Exchange Rate, the trading value of the Notes or the amount you may receive at maturity.

We and our affiliates may, from time to time, buy or sell the currencies to which the Exchange Rate relates or derivative instruments related to those currencies for our own accounts in connection with our normal business practices or in connection with hedging our obligations under the Notes. We and our affiliates also may, from time to time, buy or sell shares of the stocks comprising the Underlying Index or derivative instruments related to those stocks for our own accounts in connection with our normal business practices or in connection with hedging our obligations under the Notes. 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, if effected in substantial size, could affect the prices of those stocks or the level of the Exchange Rate or Underlying Index in a manner that would be adverse to your investment in the Notes. See the section "Use of Proceeds and Hedging."

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

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

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 Exchange Rate or the Underlying Index or Reference Futures Contract. 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 have no affiliation with the Sponsor and are not responsible for their respective public disclosure of information.

We and our affiliates are not affiliated in any way with the Sponsor (except for the licensing arrangements discussed in the section "Description of the Reference Futures Contract License Agreement") or the Underlying Index Sponsor and have no ability to control or predict the Sponsor's or Underlying Index Sponsor's actions, including any errors in or discontinuation of disclosure regarding their respective methods or policies relating to the calculation of the Reference Futures Contract settlement price or the Underlying Index. Neither we nor any or our affiliates assumes any responsibility for the adequacy or accuracy of the information about the Reference Futures Contract, the Underlying Index, the Sponsor or the Underlying Index Sponsor contained in this pricing supplement. You, as an investor in the Notes, should make your own investigation into the Reference Futures Contract, the Underlying Index, the Sponsor and the Underlying Index Sponsor. The Sponsor and the Underlying Index Sponsor 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.

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 Reference Futures Contract, the NSE CNX Nifty Index futures contract, the Underlying Index, the stocks comprising the Underlying Index or the currencies underlying the Exchange Rate. 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 Reference Futures Contract, the NSE CNX Nifty Index futures contract, the Underlying Index or the Exchange Rate and, therefore, the value of the Notes. Additionally, we may in the past or may in the future issue Notes that permit a purchaser to take a different view with respect to the movement of the Underlying Index and/or the Exchange Rate than do the Notes (e.g., to take a bearish rather than a bullish view).

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

The Cash Settlement Value you receive on the Notes may be delayed or reduced upon the occurrence of a Market Disruption Event, Currency Disruption Event or an Event of Default.

If the Calculation Agent determines that, on the Calculation Date, a Market Disruption Event or Currency Disruption Events has occurred or is continuing, the determination of the settlement prices of the Reference Futures Contract or Exchange Rates 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 will be $[ ]. The Notes will mature on June [ ], 2009 and do not provide for earlier redemption. The Notes will be issued only in fully registered form, and in minimum denominations of $1,000; provided, however, that the minimum purchase for any purchaser domiciled in a member state of the European 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 issuance 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 price of any additional offerings will be determined at the time of pricing of each offering, which will be a function of the prevailing market conditions and level of the Composite Level at the time of the relevant sale.

Interest

We will not make any payments of interest, or any other periodic payments, on the Notes until maturity.

Payment at Maturity

On the Maturity Date you will receive the Cash Settlement Value, an amount in cash that depends upon the relation of the Final Composite Level to the Initial Composite Level. If the Final Composite Level is greater than or equal to the Initial Composite Level, then, on the Maturity Date, we will pay you an amount per Note in cash equal to the principal amount of the Notes, plus:

$$\$1{,}000 \times [125.00\% - 135.00]\% \times \frac{\text{Final Composite Level}}{\text{Initial Composite Level}} - 1 .$$

If the Final Composite Level is less than the Initial Composite Level, you will receive less at maturity, and possibly significantly less, than the principal you invested. In this case, we will pay you, per Note:

$$\$1{,}000 \times \frac{\text{Final Composite Level}}{\text{Initial Composite Level}}$$

The "Composite Level" equals the Futures Level on the applicable Business Day divided by the Exchange Rate on that same Business Day.

The "Futures Level" equals the settlement price of the Reference Futures Contract (prompt month), as determined by SGX, on the applicable Business Day.

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The "Exchange Rate" equals the USD/INR exchange rate at approximately 10:00 a.m. New York time on the applicable Business Day, expressed as the number of Indian rupees per one U.S. dollar, as determined by the Calculation Agent (Bloomberg ticker symbol INR <Curncy>).

The "Initial Composite Level" equals the Futures Level on the Pricing Date divided by the Initial Exchange Rate.

The "Initial Exchange Rate" equals the Exchange Rate on the Pricing Date.

The "Final Composite Level" will be determined by the Calculation Agent and will equal the Futures Level on the Calculation Date divided by the Final Exchange Rate.

The "Final Exchange Rate" will equal the Exchange Rate on June [?], 2009, the "Calculation Date."

The "Composite Return" equals: $\frac{\text{Final Composite Level}}{\text{Initial Composite Level}} \quad 1$.

The "Maturity Date" of the Notes is June [ ], 2009.

A "Business Day" will be any day other than a Saturday or Sunday, on which banking institutions are not authorized or obligated by law or executive order to be closed in the cities of New York, New York; London, England; Singapore; and Mumbai, India. In any cases where any date specified herein for any payment under the Notes or other action required to be taken in connection therewith shall not be a Business Day, then such payment date will be, or such other required action will be taken on, the immediately succeeding Business Day (except as otherwise described herein).

Illustrative Examples

The illustrative examples set forth below demonstrating the hypothetical Cash Settlement Value of a Note do not purport to be representative of every possible scenario concerning increases or decreases in the Reference Futures Contract or Exchange Rate. You should not construe these examples or the data included in the tables as an indication or assurance of the expected performance of the Notes.

The examples demonstrating the hypothetical Cash Settlement Value 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 Futures Level on the Pricing Date is equal to 3,000.

The Initial Exchange Rate is equal to 45.00.

The Initial Composite Level is 66.67 (*i.e.,* Futures Level divided by Initial Exchange Rate).