

BEAR STEARNS COMPANIES INC  
Form 424B5  
March 19, 2004

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Prospectus

Filed Pursuant to Rule 424(b)(5)  
Registration No. 333-109793

**PRICING SUPPLEMENT**

(To Prospectus Dated November 17, 2003 and  
Prospectus Supplement Dated November 17, 2003)

**\$34,363,000**

**The Bear Stearns Companies Inc.**

**Medium-Term Notes, Series B**

**Principal Protected Notes Linked to the  
Dow Jones Industrial Average<sup>SM</sup> Due March 23, 2011**

The Notes are unsecured debt obligations of The Bear Stearns Companies Inc.

The Notes are linked to the price performance of the Dow Jones Industrial Average as described below.

The Notes will mature on March 23, 2011 subject to a market disruption event. We will not make any payments on the Notes prior to maturity.

On the stated maturity date you will receive the principal amount of the Notes, plus the index percentage change amount.

The index percentage change amount you will receive at maturity will equal the greater of (i) zero and (ii) the principal amount of the Notes multiplied by the percentage change of the Dow Jones Industrial Average, based upon the average of the closing levels of the Dow Jones Industrial Average on the 18th day of each month, beginning on April 18, 2010 and ending on March 18, 2011. We describe the method for calculating the index percentage change amount beginning on page PS-16.

The Notes have been approved for listing (subject to official notice of issuance) on the American Stock Exchange LLC under the trading symbol "BYF.D".

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-9 OF THIS PRICING SUPPLEMENT.

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"Dow Jones<sup>SM</sup>" and "Dow Jones Industrial Average<sup>SM</sup>" are service marks of Dow Jones & Company, Inc. and have been licensed for use for certain purposes by The Bear Stearns Companies Inc. Our Notes, based on the performance of the Dow Jones Industrial Average, are not sponsored, endorsed, sold or promoted by Dow Jones, and Dow Jones makes no 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	100.00%	\$34,363,000
Agent's discount	3.5%	\$1,202,705
Proceeds, before expenses, to us	96.5%	\$33,160,295

We have granted Bear, Stearns & Co. Inc. a 30-day option from the date of this pricing supplement to purchase from us up to an additional \$5,000,000 of Notes at the public offering price, less the agent's discount, to cover any over-allotments.

We expect that the Notes will be ready for delivery in book-entry form only through the book-entry facilities of The Depository Trust Company in New York, New York, on or about March 23, 2004, 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.

After this offering is complete, the Agent may use this pricing supplement, the accompanying prospectus supplement and prospectus in connection with market-making transactions at negotiated prices related to the prevailing market prices at the time of sale. The Agent may act as principal or agent in these transactions.

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## Bear, Stearns & Co. Inc.

March 18, 2004

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### SUMMARY

*This summary highlights selected information from the accompanying prospectus, prospectus supplement and this pricing supplement to help you understand the Notes linked to the Dow Jones Industrial Average. 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 the principal tax and other considerations that are important to you in making a decision about whether to invest in the Notes. You should, in particular, carefully review the section entitled "Risk Factors," which highlights a number of 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, prospectus supplement and the accompanying prospectus. 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, Principal Protected Notes Linked to the Dow Jones Industrial Average Due March 23, 2011 are Notes whose return is tied or "linked" to the performance of the Dow Jones Industrial Average. Unlike typical bonds, no periodic interest payments are made on these Notes prior to maturity. However, if the Notes are held to maturity, you will receive the entire principal amount of the Notes plus an index percentage change amount equal to the greater of (i) zero and (ii) the principal amount of the Notes multiplied by the percentage change of the Dow Jones Industrial Average, based upon the average of the closing levels of the Dow Jones Industrial Average on the 18th day of each month, beginning on April 18, 2010 and ending on March 18, 2011.

#### Selected Investment Considerations

**Growth potential** The return on the Notes will be based upon the price performance of the Dow Jones Industrial Average, which may be positive or negative.

**Principal protection with a variable coupon** On the stated maturity date you will receive the principal amount of the Notes, plus the index percentage change amount. The index percentage change amount equals the greater of (i) zero and (ii) the

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principal amount of the Notes multiplied by the percentage change of the Dow Jones Industrial Average, based upon the average of the closing levels of the Dow Jones Industrial Average on the 18th day of each month, beginning on April 18, 2010 and ending on March 18, 2011. We describe the method for calculating the index percentage change amount beginning on page PS-16.

**Long-term investment** The Notes may be an attractive investment for investors who have a long term and moderately bullish view of the Dow Jones Industrial Average.

**Diversification** Since the Dow Jones Industrial Average is based on the stock prices of 30 blue-chip companies, the Notes may allow you to diversify an existing portfolio.

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

**Exchange listed** The Notes have been approved for listing (subject to official notice of issuance) on the AMEX.

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### Selected Risk Considerations

**An investment in the Notes involves significant risks** You should refer to "Risk Factors" in this pricing supplement and "Risk Factors" in the accompanying prospectus supplement.

**No interest or dividend payments** You will not receive any periodic interest payments during the term of the Notes and you will not receive any dividend payments or other distributions on the stocks underlying the Dow Jones Industrial Average, nor will such payments be included in the calculation of the index percentage change amount.

**Market risk** Your investment in the Notes may not perform as well as an investment in a security whose return is based solely on the level of the Dow Jones Industrial Average. You may receive a low return, or no return at all, if the Dow Jones Industrial Average experiences low closing levels on the observation dates, even if the Dow Jones Industrial Average performs well at other times during the term of the Notes. You will earn no return on the Notes, even if the closing level of the Dow Jones Industrial Average at maturity is higher than the initial index level, if the index average is at or below the initial index level.

**Liquidity** Although the Notes have been approved for listing (subject to official notice of issuance) on the AMEX, you should be aware that we cannot ensure that a secondary market in the Notes will develop and, if such market were to develop, it may not be liquid.

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

**Taxes** You will be required to include original issue discount in income during your ownership of the Notes although you will receive no cash payments during the term of the Notes. You will generally be required to recognize ordinary income on the gain, if any, realized on a sale, upon maturity, or other disposition of the Notes. You should refer to "Certain US Federal Income Tax Considerations" in this pricing supplement and "Certain US Federal Income Tax Considerations" in the prospectus supplement.

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### KEY TERMS

<b>Issuer:</b>	The Bear Stearns Companies Inc.
<b>Index:</b>	Dow Jones Industrial Average, as published by Dow Jones & Company, Inc. The Dow Jones Industrial Average is maintained and reviewed by the editors of <i>The Wall Street Journal</i> .
<b>Face amount:</b>	Each Note will be issued in minimum denomination of \$1,000; \$34,363,000 in the aggregate for all the Notes being offered.
<b>Payment amount:</b>	On the stated maturity date we will pay you an amount in cash equal to the sum of (i) the principal amount of the Notes plus (ii) the index percentage change amount.
<b>Index percentage change amount:</b>	The greater of (i) zero and (ii) the principal amount of the Notes multiplied by a fraction, the numerator of which equals the index average minus the initial index level, and the denominator of which equals the initial index level.
<b>Index average:</b>	The arithmetic average of the closing levels of the Dow Jones Industrial Average on each observation date.
<b>Observation dates:</b>	The 18th day of each month, subject to the next succeeding index business day convention, starting on April 18, 2010 and ending on March 18, 2011, subject to postponement because of a market disruption event. There will be a total of 12 observation dates.
<b>Initial index level:</b>	The closing level of the Dow Jones Industrial Average on March 18, 2004.
<b>Maturity date:</b>	March 23, 2011.
<b>Interest:</b>	The Notes will not bear interest.
<b>Listing:</b>	The Notes have been approved for listing (subject to official notice of issuance) on the AMEX under the trading symbol "BYF.D". PS-4

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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, 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.

### QUESTIONS AND ANSWERS

#### What are the Notes?

The Notes are a series of our senior debt securities whose value is linked to the performance of the Dow Jones Industrial Average. The Notes will not bear interest and no other payments will be made prior to maturity. See "Risk Factors" in this pricing supplement.

The Notes will be unsecured and will rank equally with all of our unsecured and unsubordinated debt. Because we are a holding company, the Notes will be effectively subordinated to the claims of creditors of our subsidiaries with respect to their assets. At November 30, 2003:

we had outstanding (on an unconsolidated basis) approximately \$38.2 billion of debt and other obligations, including approximately \$34.5 billion of unsecured senior debt and \$3.3 billion of unsecured inter-company debt; and

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our subsidiaries had outstanding (after elimination of inter-company items) approximately \$169.8 billion of debt and other obligations (including \$47.5 billion related to securities sold under repurchase agreements, \$68.7 billion related to payables to customers, \$26.4 billion related to financial instruments sold, but not yet purchased, and \$27.2 billion of other liabilities, including \$16.5 billion of debt).

The Notes will mature on March 23, 2011, unless postponed because a market disruption event occurs. The Notes do not provide for earlier maturity.

### What will I Receive at Maturity of the Notes?

We have designed the Notes for investors who want to protect their entire investment by receiving at maturity at least 100% of the principal amount of their Notes, while also having an opportunity to participate in the potential appreciation of the Dow Jones Industrial Average above the initial index level during the term of the Notes.

On the stated maturity date, you will receive a payment per Note equal to the sum of the principal amount of the Note and the index percentage change amount.

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### How will the Index Percentage Change Amount be Calculated?

The index percentage change amount per Note will equal the greater of: (i) zero and (ii) the product of:

The principal amount of the Note; and

$$\frac{(\text{index average} - \text{initial index level})}{\text{initial index level}}$$

initial index level

The initial index level is 10,295.78, the closing level of the Dow Jones Industrial Average on March 18, 2004.

The index average will equal the arithmetic average of the closing levels of the Dow Jones Industrial Average on the 18th day of each month, subject to the next succeeding index business day convention, starting on April 18, 2010 and ending on March 18, 2011, subject to postponement because of a market disruption event. There will be a total of 12 observation dates.

For purposes of calculating the index average, an "index business day" will be a day, as determined by the calculation agent, on which the New York Stock Exchange, Inc., the AMEX, the Nasdaq National Market, the Chicago Mercantile Exchange and the Chicago Board Options Exchange are open for trading (or would have been open for trading, but for the occurrence of a market disruption event) and the Dow Jones Industrial Average or any successor index is calculated and published. The calculation agent may, in its sole discretion, add to or delete from the definition of "index business day" any major US exchange or market which commences or ceases to serve as a primary exchange or market upon which a stock underlying the Dow Jones Industrial Average trades, or as an exchange upon which a futures contract, an option contract, or an option on a futures contract relating to the Dow Jones Industrial Average trades. 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.

For more specific information about the index percentage change amount and for illustrative examples, you should refer to "Description of the Notes" in this pricing supplement.

### What Does "Principal Protected" Mean?

"Principal Protected" means that your principal investment in the Notes will not be at risk due to a decline in the Dow Jones Industrial Average if the Notes are held to maturity. You may receive less than the principal amount of the Notes if you sell the Notes prior to maturity.

### Will I Receive Interest on the Notes?

We will not make any periodic payments of interest on the Notes, or any other payments on the Notes, until maturity. On the stated maturity date, you will receive a payment per Note equal to the sum of the principal amount of the Note and the index percentage change

amount.

### **What is the Dow Jones Industrial Average?**

The Dow Jones Industrial Average is a price-weighted index published by Dow Jones & Company, Inc. which means a component stock's weight in the index is based on its price per share rather than the total market capitalization of the issuer of that component stock. The index is designed to provide an indication of the composite price performance of the stock of 30 corporations

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representing a broad cross-section of US industry. The component stocks of the index are selected by the editors of *The Wall Street Journal*. The corporations represented in the index tend to be market leaders in their respective industries and their stocks are typically widely held by individuals and institutional investors. The corporations currently represented in the index are incorporated in the US and its territories and their stocks are traded on the NYSE and the Nasdaq National Market. As of February 27, 2004, the market capitalization of the stocks in the index ranged from approximately \$8.2 billion to \$327 billion, with the average market capitalization being approximately \$102 billion.

The value of the Dow Jones Industrial Average is the sum of the primary exchange prices of each of the 30 stocks included in the index, divided by a divisor that is designed to provide a meaningful continuity in the value of the index. Because the index is price-weighted, stock splits or changes in the component stocks could result in distortions in the index value. In order to prevent these distortions related to extrinsic factors, the divisor may be changed in accordance with a mathematical formula that reflects adjusted proportions within the index. The current divisor of the index is published daily in *The Wall Street Journal* and other publications. In addition, other statistics based on the index may be found in a variety of publicly available sources.

Please note that an investment in the Notes does not entitle you to any ownership interest in the stocks of the companies included in the Dow Jones Industrial Average.

### **How has the Dow Jones Industrial Average Performed Historically?**

We have provided a table showing the monthly performance of the Dow Jones Industrial Average from January 1993 through February 2004. You can find these tables in the section "Description of the Dow Jones Industrial Average Historical Data on the Dow Jones Industrial Average" in this pricing supplement. We have provided this historical information to help you evaluate the behavior of the Dow Jones Industrial Average in various economic environments; however, past performance is not necessarily indicative of how the Dow Jones Industrial Average will perform in the future. You should refer to the section "Risk Factors The Historical Performance of the Dow Jones Industrial Average is Not an Indication of the Future Performance of the Dow Jones Industrial Average" in this pricing supplement.

### **Will the Notes be Listed on a Securities Exchange?**

The Notes have been approved for listing (subject to official notice of issuance) on the AMEX. You should be aware that the listing of the Notes on the AMEX does not necessarily ensure that a liquid trading market will be available for the Notes. You should refer to "Risk Factors There may be No Secondary Market for the Notes" in this pricing supplement.

### **What is the Role of Our Subsidiary, Bear, Stearns & Co. Inc.?**

Our subsidiary, Bear, Stearns & Co. Inc. ("Bear Stearns") will be our agent for the offering and sale of the Notes. 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 continue them once they are begun.

Bear Stearns also will be our calculation agent for purposes of calculating the index percentage change amount. 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" in this pricing supplement.

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**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. ("BSSC"), Bear, Stearns International Limited ("BSIL") and Bear Stearns Bank plc ("BSB"), 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 entitled "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, which you can find by referring to the section entitled "Where You Can Find More Information" in the accompanying prospectus.

**What are the US Federal Income Tax Consequences of Investing in the Notes?**

Because the Notes are contingent payment debt instruments for federal income tax purposes, a US Holder of a Note will be required to include original issue discount ("OID") in gross income over the term of the Note prior to receiving payment on the Note at maturity. The amount of OID includible in each year is based on our "comparable yield." In addition, we have computed a "projected payment amount" that produces the comparable yield. The comparable yield and the projected payment amount are neither predictions nor guarantees of the actual yield on the Notes or the actual payment at maturity. If the amount we actually pay at maturity is, in fact, less than the projected payment amount, then a US Holder would have recognized taxable income in periods prior to maturity that exceeds the US Holder's economic income from holding the Note during such periods (with an offsetting ordinary loss). If a US Holder disposes of the Note prior to maturity, the US Holder will be required to treat any gain recognized upon the disposition of the Note as ordinary income (rather than capital gain). You should refer to "Certain US Federal Income Tax Considerations" in this pricing supplement and "Certain US Federal Income Tax Considerations" in the prospectus supplement.

**Does ERISA Impose any Limitations on Purchases of the Notes?**

An employee benefit plan subject to the fiduciary responsibility provisions of the Employee Retirement Income Security Act of 1974 ("ERISA") 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.

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**RISK FACTORS**

You should carefully consider the following risk factors before deciding to invest in the Notes.

**The Notes may not Pay More than the Principal Amount at Stated Maturity**

If the index average level is less than or equal to the initial index level you will only receive the principal amount of the Notes you hold at stated maturity. Since the index average is based on the closing level of the Dow Jones Industrial Average on 12 monthly observation dates from April 18, 2010 through March 18, 2011, it is possible for the index average to be lower than the initial index level even if the value of the Dow Jones Industrial Average at maturity is higher than the initial index level. In addition, even if the index average is higher than the initial index level, it is possible for the index average to be lower than the value of the Dow Jones Industrial Average at maturity.

**You will not Receive any Periodic Payments of Interest**

You will not receive any periodic payments of interest or any other periodic payments on the Notes until maturity. On the stated maturity date, you will receive a payment per Note equal to the sum of the principal amount of the Note and the index percentage change amount. However, the overall return you earn on your Notes may be less than you would have earned by investing in a non-indexed debt security of comparable maturity that bears interest at a prevailing market rate. For more specific information about the index percentage change amount and

for illustrative examples, you should refer to "Description of the Notes" in this pricing supplement.

**Your Yield will not Reflect Dividends on the Underlying Stocks that Comprise the Dow Jones Industrial Average**

The Dow Jones Industrial Average does not reflect the payment of dividends on the stocks underlying it. Therefore, the yield based on the Dow Jones Industrial Average 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. As of February 27, 2004, the yield on the payment of dividends on the stocks underlying the Dow Jones Industrial Average was 204 basis points. You will not receive any dividends that may be paid on any of the stocks which underlie the Dow Jones Industrial Average. You should refer to "Description of the Notes" in this pricing supplement.

**Your Yield may be Below Market Interest Rates on the Pricing Date**

You may receive an index percentage change amount that is below what we would pay as interest as of the pricing date if we had issued non-callable senior debt securities with a similar maturity to that of the Notes. The return of principal at maturity and any payment of the index percentage change amount may not reflect the full opportunity costs implied by inflation or other factors relating to the time value of money.

**Tax Consequences**

For US federal income tax purposes, the Notes will be classified as contingent payment debt instruments. As a result, you will be required to include original issue discount in income during your ownership of the Notes although you will receive no cash payments during the term of the Notes. Additionally, you will generally be required to recognize ordinary income on the gain, if any, realized on a sale, upon maturity, or other disposition of the Notes. See "Certain US Federal Income Tax Considerations" beginning on page PS-31 of this pricing supplement.

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**The Historical Performance of the Dow Jones Industrial Average is not an Indication of the Future Performance of the Dow Jones Industrial Average**

The historical performance of the Dow Jones Industrial Average, which is included in this pricing supplement, should not be taken as an indication of the future performance of the Dow Jones Industrial Average. While the trading prices of the underlying stocks of the Dow Jones Industrial Average will determine the value of the Dow Jones Industrial Average, it is impossible to predict whether the value of the Dow Jones Industrial Average will fall or rise. Trading prices of the underlying stocks of the Dow Jones Industrial Average will be influenced by the complex and interrelated political, economic, financial and other factors that can affect the capital markets generally and the equity trading markets on which the underlying stocks are traded, and by various circumstances that can influence the values of the underlying stocks in a specific market segment or of a particular underlying stock.

**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 You had Originally Invested**

We believe that the value of your Notes will be affected by the value and volatility of the Dow Jones Industrial Average, changes in US interest rates, the supply of and demand for the Notes and a number of other factors. Some of these factors are interrelated in complex ways; as a result, the effect of any one factor may be offset or magnified by the effect of another factor. The price, if any, at which you will be able to sell your Notes prior to maturity may be substantially less than the amount you originally invested if, at such time, the value of the Dow Jones Industrial Average is less than, equal to or not sufficiently above the value of the Dow Jones Industrial Average when you purchased the Notes. The following paragraphs describe what we expect to be the impact on the market value of the Notes with a change in a specific factor, assuming all other conditions remain constant.

*Value of the Dow Jones Industrial Average.* We expect that the trading value of the Notes will depend substantially on the amount, if any, by which the index level at any given point in time exceeds the initial index level. If you decide to sell your Notes when the index level exceeds the initial index level, you may nonetheless receive substantially less than the amount that would be payable at stated maturity based on that index level because of expectations that the index level will continue to fluctuate until the index average is determined. Political, economic and other developments that affect the stocks in the Dow Jones Industrial Average may also affect the index level and, thus, the value of the Notes.

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*Volatility of the Dow Jones Industrial Average.* Volatility is the term used to describe the size and frequency of market fluctuations. If the volatility of the Dow Jones Industrial Average increases or decreases, the trading value of the Notes may be adversely affected.

*Interest rates.* We expect that the market value of the Notes will be affected by changes in US interest rates. In general, higher US interest rates will likely reduce the trading value of the Notes and, conversely, lower US interest rates will likely increase the trading value of the Notes. Interest rates may also affect the economy and, in turn, the value of the Dow Jones Industrial Average, which (for the reasons discussed above) would affect the value of the Notes. Rising interest rates may lower the value of the Dow Jones Industrial Average and, thus, the value of the Notes. Falling interest rates may increase the value of the Dow Jones Industrial Average and, thus, the value of the Notes.

*The Company's credit ratings, financial condition and results.* 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 may significantly affect the value of the Notes.

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*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 value of the Dow Jones Industrial Average during the period prior to stated maturity of the Notes. The time premium may also be affected by the dividend yields on the stocks in the Dow Jones Industrial Average. In general, higher dividend yields will likely reduce the time premium of the Notes and, conversely, lower dividend yields will likely increase the time premium of the Notes. As the time remaining to the stated maturity of the Notes decreases, this time premium will likely decrease, adversely affecting the trading value of the Notes.

*Events involving the companies comprising the Dow Jones Industrial Average.* General economic conditions and earnings results of the companies whose stocks comprise the Dow Jones Industrial Average, and real or anticipated changes in those conditions or results, may affect the market value of the Notes. In addition, if the dividend yields on those stocks increase, the value of the Notes may be adversely affected, because the Dow Jones Industrial Average does not incorporate the value of dividend payments. Conversely, if dividend yields on the stocks decrease, the value of the Notes may be favorably affected. In addition, some of the stocks included in the Dow Jones Industrial Average may be affected by mergers and acquisitions, which can contribute to volatility of the Dow Jones Industrial Average. As a result of a merger or acquisition, one or more stocks in the Dow Jones Industrial Average 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 Dow Jones Industrial Average.

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

### **There may be No Secondary Market for the Notes**

Although the Notes have been approved for listing (subject to official notice of issuance) on the AMEX, you should be aware that we cannot ensure that a secondary market in the Notes will develop and, if there were to be a secondary market, it may not be liquid. Accordingly, the liquidity of the Notes may be limited and, under certain circumstances, nonexistent. However, Bear Stearns intends under ordinary market conditions to indicate prices in the Notes on request, although there can be no assurance at which price such a bid would be made. The price given, if any, will be affected by many factors including, but not limited to: the remaining term of the Notes, the general level of interest rates, the current level of the Dow Jones Industrial Average and the cost to us of unwinding any related hedging activity or any funding arrangement.

### **You have No Shareholder Rights or Rights to Receive any Stock**

Investing in the Notes will not make you a holder of any of the stock underlying the Dow Jones Industrial Average. 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 stocks. The Notes will be paid in cash, and you will have no right to receive delivery of any stocks underlying the Dow

Jones Industrial Average.

### **State Law may Limit Interest Paid**

New York State law governs the Indenture under which the Notes will be issued. New York has certain usury laws that limit the amount of interest that can be charged and paid on loans, which includes debt securities like the Notes. Under present New York law, the maximum rate of interest is

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25% per annum, on a simple interest basis. This limit may not apply to debt securities in which \$2,500,000 or more has been invested.

While we believe that New York law would be given effect by a state or federal court sitting outside of New York, many other states also have laws that regulate the amount of interest that may be charged to and paid by a borrower. We will promise, for your benefit as a holder of the Notes, to the extent permitted by law, not to voluntarily claim the benefits of any laws concerning usurious rates of interest.

### **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 index levels values, or deciding whether a market disruption event has occurred. You should refer to "Description of the Notes Discontinuance of the Dow Jones Industrial Average" and " Adjustments to the Dow Jones Industrial Average" and " Market Disruption Events" in this pricing supplement. 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.

Bear Stearns and its affiliates may, at various times, engage in transactions involving the stocks underlying the Dow Jones Industrial Average for their proprietary accounts, and for other accounts under their management. These transactions may influence the value of such stocks, and therefore the value of the Dow Jones Industrial Average. BSIL, an affiliate of Bear Stearns, will also be the counterparty to the hedge of our obligations under the Notes. You should refer to "Use of Proceeds and Hedging" in this pricing supplement. Accordingly, under certain circumstances, conflicts of interest may arise between Bear Stearns' responsibilities as calculation agent with respect to the Notes and BSIL's obligations under our hedge.

### **We Cannot Control Actions by the Companies Whose Stocks are Included in the Dow Jones Industrial Average**

Actions by any company whose stock is part of the Dow Jones Industrial Average may have an adverse effect on the price of its stock, the index and the Notes. In addition, these companies are not 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. These companies will not receive any of the proceeds of this offering and are not responsible for, and have not participated in, the determination of the timing of, prices for, or quantities of, the Notes to be issued. These companies are not involved with the administration, marketing or trading of the Notes and have no obligations with respect to the amount to be paid to you on the stated maturity date.

We are not affiliated with any Dow Jones Industrial Average company and are not responsible for any disclosure by any such company. However, we may currently, or in the future, engage in business with such companies. 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 Dow Jones Industrial Average or any Dow Jones Industrial Average company. You should make your own investigation into the Dow Jones Industrial Average and the Dow Jones Industrial Average companies.

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### **Changes that Affect the Dow Jones Industrial Average will Affect the Market Value of the Notes and the Amount You will Receive at Maturity**

The policies of Dow Jones & Company, Inc. concerning the calculation of the Dow Jones Industrial Average will affect the value of the Dow Jones Industrial Average and, therefore, will affect the market value of the Notes and the amount payable at maturity. If Dow Jones discontinues or suspends calculation or publication of the Dow Jones Industrial Average, it may become difficult to determine the market value of the Notes or the amount payable at maturity. If this 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 Dow Jones discontinues or suspends calculation of the Dow Jones Industrial Average at any time prior to the maturity date and a successor 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 stated 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 Dow Jones Industrial Average. The value of the Dow Jones Industrial Average is only one 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 Dow Jones Industrial Average" and "Description of The Dow Jones Industrial Average."

**Trading and Other Transactions by Us or Our Affiliates Could Affect the Prices of the Stocks Underlying the Dow Jones Industrial Average, the Level of the Dow Jones Industrial Average, the Market Value of the Notes or the Index Percentage Change Amount**

We and our affiliates may from time to time buy or sell shares of the stocks underlying the Dow Jones Industrial Average 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 could affect the prices of those stocks or the level of the Dow Jones Industrial Average in a manner that would be adverse to your investment in the Notes. See "Use of Proceeds and Hedging."

Hedging activities we or our affiliates may engage in may affect the level of the Dow Jones Industrial Average and, accordingly, increase or decrease the market value of the Notes prior to maturity and the index percentage change amount you would receive at maturity. To the extent that we or any of our affiliates has a long hedge position in any of the stocks that comprise the Dow Jones Industrial Average, or derivative or synthetic instruments related to those stocks or the Dow Jones Industrial Average, 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 Dow Jones Industrial Average. Depending on, among other things, future market conditions, the aggregate amount and the composition of the 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 impact on the level of the Dow Jones Industrial Average, we cannot assure you that these activities will not affect such level and the market value of the Notes prior to maturity or the index percentage change 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.

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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 Dow Jones Industrial Average. By introducing competing products into the marketplace in this manner, we or our affiliates could adversely affect the value of the Notes.

We and our affiliates, at present or in the future, may engage in business with the companies included in the Dow Jones Industrial Average, 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. One or more of our affiliates have published, and may in the future publish, research reports on one or more of the Dow Jones Industrial Average companies. This research is 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 value of the Notes.

**The Payments 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 an observation date, a market disruption event has occurred or is continuing, the determination of the value of the Dow Jones Industrial Average by the calculation agent may be deferred. As a result, the maturity date for your Notes may also be delayed for up to five consecutive index business days. If this occurs, you may not receive the cash payment that we are obligated to deliver on the maturity date of the Notes until several days after the originally scheduled due date. You should refer to "Description of the Notes

Market Disruption Events" in this pricing supplement.

The Notes may be subject to redemption prior to the maturity date upon the occurrence of an Event of Default. You should refer to "Description of Debt Securities Events of Default" in the accompanying prospectus. If we commence, voluntarily or involuntarily, a case under the United States Bankruptcy Code, your claim may be limited to the principal amount of your Notes, and may not include any claim for any index percentage change amount. The amount of principal of the Notes, together with any index percentage change amount, payable prior to maturity will be adjusted to account fully for any losses, expenses and costs to the Company of unwinding any underlying or related hedging and funding arrangements, all as determined by the calculation agent in its sole and absolute discretion.

**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 "Certain US Federal Income Tax Considerations" in this pricing supplement.**

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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 JPMorgan Chase Bank (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 entitled "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 with respect to their assets. At November 30, 2003:

we had outstanding (on an unconsolidated basis) approximately \$38.2 billion of debt and other obligations, including approximately \$34.5 billion of unsecured senior debt and \$3.3 billion of unsecured inter-company debt; and

our subsidiaries had outstanding (after elimination of inter-company items) approximately \$169.8 billion of debt and other obligations (including \$47.5 billion related to securities sold under repurchase agreements, \$68.7 billion related to payables to customers, \$26.4 billion related to financial instruments sold, but not yet purchased, and \$27.2 billion of other liabilities, including \$16.5 billion of debt).

The aggregate principal amount of the Notes will be \$34,363,000. The Notes will mature on March 23, 2011. The Notes will be issued only in fully registered form, and in minimum denominations of \$1,000. 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.

You should refer to the section entitled "Certain US Federal Income Tax Considerations" in this pricing supplement, for a discussion of certain federal income tax considerations to you as a holder of the Notes.

### Interest

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

### Payment at Maturity

On the stated maturity date, you will receive a payment per Note equal to the sum of the principal amount of the Note and the index percentage change amount.

The index percentage change amount per Note will equal the greater of: (i) zero and (ii) the product of:

The principal amount of the Note; and

$$\frac{(\text{index average} - \text{initial index level})}{\text{initial index level}}$$

The initial index level is 10,295.78, the closing level of the Dow Jones Industrial Average on March 18, 2004.

The index average will equal the arithmetic average of the closing levels of the Dow Jones Industrial Average on the 18th day of each month, subject to the next succeeding index business day convention, starting on April 18, 2010 and ending on March 18, 2011, subject to postponement because of a market disruption event. There will be a total of 12 observation dates.

For purposes of calculating the index average, an "index business day" will be a day, as determined by the calculation agent, on which the NYSE, the AMEX, the Nasdaq National Market, the Chicago Mercantile Exchange and the Chicago Board Options Exchange are open for trading (or would have been open for trading, but for the occurrence of a market disruption event) and the Dow Jones Industrial Average or any successor index is calculated and published. The calculation agent may, in its sole discretion, add to or delete from the definition of "index business day" any major US exchange or market which commences or ceases to serve as a primary exchange or market upon which a stock underlying the Dow Jones Industrial Average trades, or as an exchange upon which a futures contract, an option contract, or an option on a futures contract relating to the Dow Jones Industrial Average trades. 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.

### Illustrative Examples

The following are illustrative examples demonstrating the hypothetical payment at maturity of a Note based on the assumptions outlined below.

Assumptions:

Investor pays the principal amount of \$1,000 per Note.

Investor holds each Note to maturity.

The initial index level is equal to 10,295.78.

All returns are based on a seven-year (84 month) term; pre-tax basis.

$$\text{Compound Annual Growth Amount (CAGR)} = \left( \left( 1 + \frac{\text{index percentage change amount}}{\text{principal amount of Note}} \right)^{(1/\text{term of Note})} - 1 \right) \times 100\%$$

No market disruption events occur during the term of the Notes.

### Example 1:

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The Dow Jones Industrial Average appreciates during the initial six-year term of the Notes and continues to appreciate over the final 12 month term of the Notes. In this case, the index average is higher than the initial index level, but lower than the closing level on March 18, 2011, the final observation date.

Observation Date	Dow Jones Industrial Average Closing Level
April 18, 2010	18,763
May 18, 2010	19,035
June 18, 2010	19,131
July 18, 2010	18,863
August 18, 2010	19,429
September 18, 2010	19,640
October 18, 2010	19,051
November 18, 2010	19,813
December 18, 2010	19,317
January 18, 2011	19,791
February 18, 2011	19,989
March 18, 2011	20,388

index average = 19,434

### Calculation of payment at maturity per Note

At maturity, the investor will receive 100% of the principal amount of the Note (\$1,000) plus the index percentage change amount. The index percentage change amount is equal to the greater of

(i) zero and (ii)  $\$1000 \times \frac{(\text{index average} - \text{initial index level})}{\text{initial index level}}$

$$= \$1,000 \times \frac{(19,434 - 10,295.78)}{10,295.78} = \$887.58$$

Total Return = 88.76%

$$\text{CAGR} = \left( (1 + 887.58/1000)^{(1/7)} - 1 \right) \times 100\% = 9.5\%$$

In the above hypothetical example, the investor would receive \$1,887.58 at maturity, representing a 88.76% total return (9.5% CAGR).

**Example 2:**

The Dow Jones Industrial Average appreciates during the initial six-year term of the Notes, but depreciates over the final 12 month term of the Notes. In this case, the index average is higher than both the initial index level and the closing level on March 18, 2011, the final observation date.

<b>Observation Date</b>	<b>Dow Jones Industrial Average Closing Level</b>
April 18, 2010	19,726
May 18, 2010	19,430
June 18, 2010	19,954
July 18, 2010	19,605
August 18, 2010	19,409
September 18, 2010	19,312
October 18, 2010	19,505
November 18, 2010	19,310
December 18, 2010	19,020
January 18, 2011	19,639
February 18, 2011	19,246
March 18, 2011	19,053

index average = 19,434

**Calculation of payment at maturity per Note**

At maturity, the investor will receive 100% of the principal amount of the Note (\$1,000) plus the index percentage change amount. The index percentage change amount is equal to the greater of

(i) zero and (ii)  $\$1000 \times \frac{(\text{index average} - \text{initial index level})}{\text{initial index level}}$

$$= \$1,000 \times \frac{(19,434 - 10,295.78)}{10,295.78} = \$887.58$$

Total Return = 88.76%

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$$\text{CAGR} = \left( (1 + 887.58/1000)^{(1/7)} - 1 \right) \times 100\% = 9.5\%$$

In the above hypothetical example, the investor would receive \$1,887.58 at maturity, representing a 88.76% total return (9.5% CAGR).

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**Example 3:**

The Dow Jones Industrial Average depreciates during the initial six-year term of the Notes, but appreciates over the final 12 month term of the Notes. In this case, the index average is lower than both the initial index level and the closing level on March 18, 2011, the final observation date.

Observation Date	Dow Jones Industrial Average Closing Level
April 18, 2010	8,660
May 18, 2010	8,920
June 18, 2010	9,277
July 18, 2010	9,369
August 18, 2010	9,557
September 18, 2010	9,748
October 18, 2010	10,040
November 18, 2010	10,241
December 18, 2010	10,292
January 18, 2011	10,395
February 18, 2011	10,603
March 18, 2011	10,921

index average = 9,835

**Calculation of payment at maturity per Note**

At maturity, the investor will receive 100% of the principal amount of the Note (\$1,000) plus the index percentage change amount. The index percentage change amount is equal to the greater of

- (i) zero and (ii)  $\$1000 \times \frac{(\text{index average} - \text{initial index level})}{\text{initial index level}}$

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$$= \$1,000 \times \frac{(9,835 - 10,295.78)}{10,295.78} = -\$44.75$$

Since the index average is below the initial index level of 10,295.78, the index percentage change amount is equal to zero. At maturity, the investor receives \$1,000.

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**Example 4:** The Dow Jones Industrial Average depreciates during the seven-year term of the Notes. In this case, the index average is lower than the initial index level, but higher than the closing level on March 18, 2011, the final observation date.

Observation Date	Dow Jones Industrial Average Closing Level
April 18, 2010	8,660
May 18, 2010	8,573
June 18, 2010	8,745
July 18, 2010	8,789
August 18, 2010	8,657
September 18, 2010	8,440
October 18, 2010	8,504
November 18, 2010	8,759
December 18, 2010	8,321
January 18, 2011	8,154
February 18, 2011	8,277
March 18, 2011	8,111

index average = 8,499

**Calculation of payment at maturity per Note**

At maturity, the investor will receive 100% of the principal amount of the Note (\$1,000) plus the index percentage change amount. The index percentage change amount is equal to the greater of

$$(i) \text{ zero and } (ii) \$1000 \times \frac{(\text{index average} - \text{initial index level})}{\text{initial index level}}$$

$$= \$1,000 \times = -\$174.52$$

$$\frac{(8,499 - 10,295.78)}{10,295.78}$$

Since the index average is below the initial index level of 10,295.78, the index percentage change amount is equal to zero. At maturity, the investor receives \$1,000.

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#### **Discontinuance of the Dow Jones Industrial Average**

If Dow Jones & Company, Inc. discontinues publication of the Dow Jones Industrial Average and Dow Jones or another entity publishes a successor or substitute index that the calculation agent determines, in its sole discretion, to be comparable to the discontinued Dow Jones Industrial Average, then the index average will be determined by reference to the level of such successor index at the close of trading on the NYSE, the AMEX, the Nasdaq National Market or the relevant exchange or market for the successor index on the date that the index average is to be determined.

Upon any selection by the calculation agent of a successor index, the calculation agent will cause notice to be furnished to us and the Trustee, who will provide notice of the selection of the successor index to the registered holders of the Notes.

If Dow Jones discontinues publication of the Dow Jones Industrial Average prior to, and such discontinuance is continuing on, the date that the index average is to be determined and the calculation agent determines that no successor index is available at such time, then, on such date, the calculation agent will determine the index average. The index average will be computed by the calculation agent in accordance with the formula for and method of calculating the Dow Jones Industrial Average last in effect prior to such discontinuance, using the closing level (or, if trading in the relevant securities has been materially suspended or materially limited, its good faith estimate of the closing level that would have prevailed but for such suspension or limitation) at the close of the principal trading session on such date of each security most recently comprising the Dow Jones Industrial Average on the primary organized US exchange or trading system on which such securities trade. "Closing level" means the last reported level of the Dow Jones Industrial Average at 4:00 p.m., New York City time.

If a successor index is selected, or the calculation agent calculates a value as a substitute for the Dow Jones Industrial Average as described above, the successor index or value will be substituted for the Dow Jones Industrial Average for all purposes, including for purposes of determining whether an index business day or market disruption event has occurred. Notwithstanding these alternative arrangements, discontinuance of the publication of the Dow Jones Industrial Average may adversely affect the value of the Notes.

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.

#### **Adjustments to the Dow Jones Industrial Average**

If at any time the method of calculating the Dow Jones Industrial Average or a successor index, or the index average thereof, is changed in a material respect, or if the Dow Jones Industrial Average or a successor index is in any other way modified so that such index does not, in the opinion of the calculation agent, fairly represent the level of the Dow Jones Industrial Average or such successor index had such changes or modifications not been made, then, from and after such time, the calculation agent will, at the close of business in New York City on the date that the index average is to be determined, make such calculations and adjustments as, in its good faith judgment, may be necessary in order to arrive at a level of a stock index comparable to the Dow Jones Industrial Average or such successor index, as the case may be, as if such changes or modifications had not been made. The calculation agent will calculate the index average with reference to the Dow Jones Industrial Average or such successor index, as adjusted. If the method of calculating the Dow Jones Industrial Average or a successor index is modified so that the level of such index is a fraction of what it would have been if it had not been modified (for example, due to a split in the index), then the calculation agent will adjust such index in order to arrive at a level of the Dow Jones Industrial Average or such successor index as if it had not been modified (for example, as if such split had not occurred).

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#### **Market Disruption Events**

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If there is a market disruption event on an observation date, the observation date will be the first succeeding index business day on which there is no market disruption event, unless there is a market disruption event on each of the five index business days following the original date that, but for the market disruption event, would have been the observation date. In that case, the fifth index business day will be deemed to be the observation date, notwithstanding the market disruption event and the calculation agent will determine the level of the Dow Jones Industrial Average on that fifth index business day in accordance with the formula for and method of calculating the Dow Jones Industrial Average in effect prior to the market disruption event using the exchange traded price of each security in the Dow Jones Industrial Average (or, if trading in any such security has been materially suspended or materially limited, the calculation agent's good faith estimate of the exchange traded price that would have prevailed but for such suspension or limitation) as of that fifth index business day.

A market disruption event means either of the following events, as determined by the calculation agent, in its sole discretion:

the suspension of or material limitation on trading for more than two hours of trading, or during the one-half hour period preceding the close of trading on the applicable exchange in 20% or more of the stocks which then comprise the Dow Jones Industrial Average, or any successor index (without taking into account any extended or after-hours trading session); or

the suspension of or material limitation on trading, in each case, for more than two hours of trading, or during the one-half hour period preceding the close of trading, on the applicable exchange, whether by reason of movements in price otherwise exceeding levels permitted by the relevant exchange or otherwise, in option contracts or futures contracts related to the Dow Jones Industrial Average, or any successor index, which are traded on any major US exchange.

For the purpose of the above definition:

- (a) a limitation on the hours in a trading day and/or number of days of trading will not constitute a market disruption event if it results from an announced change in the regular business hours of the relevant exchange, and
- (b) for the purpose of clause (a) above, any limitations on trading during significant market fluctuations under NYSE Rule 80A, or any applicable rule or regulation enacted or promulgated by the NYSE or any other self regulatory organization or the SEC of similar scope as determined by the calculation agent, will be considered "material."

Based on the information currently available to us, on each of September 11, 12, 13 and 14, 2001, the NYSE suspended all trading for the entire day, and on October 27, 1997, the NYSE suspended all trading during the one-half hour period preceding the close of trading. If any such suspension of trading occurred during the term of the Notes, it would constitute a market disruption event. The existence or non-existence of these circumstances, however, is not necessarily indicative of the likelihood of these circumstances arising or not arising in the future.

### **Redemption; Defeasance**

The Notes are not subject to redemption before maturity, and are not subject to the defeasance provisions described in the section entitled "Description of Debt Securities - Defeasance" in the accompanying prospectus.

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### **Events of Default and Acceleration**

If an Event of Default (as defined in the accompanying prospectus) with respect to any Notes has occurred and is continuing, then the amount payable to you, as a beneficial owner of a Note, upon any acceleration permitted by the Notes will be equal to:

the principal amount, plus

an index percentage change amount calculated as though the date of early repayment were the maturity date of the Notes.

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If a case under the United States Bankruptcy Code is commenced in respect of the Company, your claim as a holder of a Note may be limited to the principal amount of your Note, and may not include any claim for any index percentage change amount. The amount of principal of the Notes, together with any index percentage change amount, payable prior to maturity will be adjusted to account fully for any losses, expenses and costs to the Company of unwinding any underlying or related hedging and funding arrangements, all as determined by the calculation agent in its sole and absolute discretion.

### Same-Day Settlement and Payment

Settlement for the Notes will be made by Bear Stearns in immediately available funds. All payments of principal and any index percentage change amount will be made by us in immediately available funds, so long as the Notes are maintained in book-entry form.

### Calculation Agent

*The calculation agent for the Notes will be Bear Stearns.* All determinations made by the calculation agent will be at the sole discretion of the calculation agent and will, in the absence of manifest error, be conclusive for all purposes and binding on the Company and holders of the Notes. Because the calculation agent is an affiliate of the Company, potential conflicts of interest may exist between the calculation agent and holders of the Notes, including with respect to certain determinations and judgments that the calculation agent must make in determining amounts due to holders 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.

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## DESCRIPTION OF THE DOW JONES INDUSTRIAL AVERAGE

### General

We obtained all information regarding the Dow Jones Industrial Average contained in this pricing supplement, including its make-up, method of calculation and changes in its components, from publicly available information. That information reflects the policies of, and is subject to change by, Dow Jones. Dow Jones has no obligation to continue to publish, and may discontinue publication of, the Dow Jones Industrial Average. The consequences of Dow Jones' discontinuing publication of the Dow Jones Industrial Average are described in the section entitled "Description of the Notes - Discontinuance of the Dow Jones Industrial Average." We do not assume any responsibility for the accuracy or completeness of any information relating to the Dow Jones Industrial Average.

The Dow Jones Industrial Average is widely used as an indicator of the pattern of the price movement of United States equities. The calculation of the value of the Dow Jones Industrial Average, discussed below in further detail, is a price-weighted average of the stocks of 30 blue-chip companies that are generally the leaders in their industry. As of March 17, 2004, the component companies of the Dow Jones Industrial Average were as follows:

3M Company	The Home Depot, Inc.
Alcoa Inc.	Honeywell International Inc.
Altria Group, Inc.	Intel Corporation
American Express Company	International Business Machines Corporation
AT&T Corp.	International Paper Company
The Boeing Company	J.P. Morgan Chase & Co.
Caterpillar Inc.	Johnson & Johnson
Citigroup Inc.	McDonald's Corporation
The Coca-Cola Company	Merck & Co., Inc.
E.I. du Pont de Nemours and Company	Microsoft Corporation
Eastman Kodak Company	The Proctor & Gamble Company
Exxon Mobil Corporation	SBC Communications Inc.
General Electric Company	United Technologies Corporation
General Motors Corporation	Wal-Mart Stores, Inc.
Hewlett-Packard Company	The Walt Disney Company

Twenty-eight of the Dow Jones Industrial Average component companies are primarily traded on the NYSE, and the other two companies are traded on the Nasdaq Stock Market. The composition of the Dow Jones Industrial Average is not limited to traditionally defined industrial

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stocks. Instead, the companies are chosen from sectors of the economy most representative of the country's economic health. The index serves as a measure of the entire United States market, covering such diverse industries as financial services, technology, retail, entertainment and consumer goods. The editors of *The Wall Street Journal* maintain and review the index and may from time to time, in their sole discretion, add companies to, or delete companies from, the Dow Jones Industrial Average to achieve the objectives stated above. Composition changes are rare, however, and generally occur only after events such as corporate acquisitions or other dramatic shifts in a component's core business. When such an event causes one component to be replaced, the entire index is reviewed, and therefore, multiple component changes are often implemented simultaneously. A stock typically is added only if it has an excellent reputation, demonstrates sustained growth, is of interest to a large number of investors, and accurately represents the sector(s) covered by the index.

The Dow Jones Industrial Average is price-weighted rather than market capitalization-weighted, which means that weightings are based only on changes in the stocks' prices, rather than by both price changes and changes in the number of shares outstanding. The divisor used to calculate the price-

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weighted average of the Dow Jones Industrial Average is not simply the number of component stocks; rather, the divisor is adjusted to smooth out the effects of stock splits and other corporate actions. While this methodology reflects current practice in calculating the Dow Jones Industrial Average, no assurance can be given that Dow Jones will not modify or change this methodology in a manner that may affect the amounts payable on the Notes at maturity. Neither the Company nor any of our affiliates accepts any responsibility for the calculation, maintenance, or publication of, or for any error, omission, or disruption in, the Dow Jones Industrial Average or any successor Dow Jones Industrial Average. Dow Jones does not guarantee the accuracy or the completeness of the Dow Jones Industrial Average or any data included in the Dow Jones Industrial Average. Dow Jones assumes no liability for any errors, omissions, or disruption in the calculation and dissemination of the Dow Jones Industrial Average. Dow Jones disclaims all responsibility for any errors or omissions in the calculation and dissemination of the Dow Jones Industrial Average as applied in determining the amount payable at maturity.

THE DOW JONES INDUSTRIAL AVERAGE DOES NOT REFLECT THE PAYMENT OF DIVIDENDS ON THE STOCKS UNDERLYING IT AND THEREFORE THE RETURN ON THE NOTES WILL NOT PRODUCE THE SAME RETURN YOU WOULD RECEIVE IF YOU WERE TO PURCHASE SUCH UNDERLYING STOCKS AND HOLD THEM UNTIL THE MATURITY DATE.

### Historical Data on the Dow Jones Industrial Average

Since its inception, the Dow Jones Industrial Average has experienced significant fluctuations. Any historical upward or downward trend in the value of the Dow Jones Industrial Average during any period shown in the following table is not an indication that the value of the Dow Jones Industrial Average is more or less likely to increase or decrease at any time during the term of the Notes. The historical Dow Jones Industrial Average during any period shown in the following table is not an indication of future performance of the Dow Jones Industrial Average.

The following table sets forth the high and low closing index level, as well as end-of-month closing index levels, of the Dow Jones Industrial Average for each month from January 1993 through February 2004. We obtained the closing index levels listed below from Bloomberg Financial Markets and believe such information to be accurate. The results shown should not be considered as a representation of the income, yield or capital gain or loss that may be generated by the Dow Jones Industrial Average in the future. We cannot give you any assurance that the level of the Dow Jones Industrial Average will increase above the initial index level so that on the stated maturity date you will receive more than the minimum amount payable of \$1,000 per Note.

	High	Low	Closing Level at Month-End
<b>1993</b>			
January	3,310.03	3,241.95	3,310.03
February	3,442.14	3,302.19	3,370.81
March	3,478.34	3,355.41	3,435.11
April	3,478.61	3,370.81	3,427.55
May	3,554.83	3,437.19	3,527.43
June	3,553.45	3,466.81	3,516.08
July	3,567.70	3,449.93	3,539.47
August	3,652.09	3,548.97	3,651.25
September	3,645.10	3,537.24	3,555.12
October	3,687.86	3,577.76	3,680.59

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	High	Low	Closing Level at Month-End
November	3,710.77	3,624.98	3,683.95
December	3,794.33	3,697.08	3,754.09

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<u>1994</u>			
January	3,978.36	3,756.60	3,978.36
February	3,975.54	3,832.02	3,832.02
March	3,895.65	3,626.75	3,635.96
April	3,705.78	3,593.35	3,681.69
May	3,766.35	3,629.04	3,758.37
June	3,814.83	3,624.96	3,624.96
July	3,764.50	3,646.65	3,764.50
August	3,917.30	3,747.02	3,913.42
September	3,953.88	3,831.75	3,843.19
October	3,936.04	3,775.56	3,908.12
November	3,863.37	3,674.63	3,739.23
December	3,861.69	3,685.73	3,834.44
<u>1995</u>			
January	3,932.34	3,832.08	3,843.86
February	4,011.74	3,847.56	4,011.05
March	4,172.56	3,962.63	4,157.69
April	4,321.27	4,168.41	4,321.27
May	4,465.14	4,316.08	4,465.14
June	4,589.64	4,423.99	4,556.10
July	4,736.29	4,585.15	4,708.47
August	4,701.42	4,580.62	4,610.56
September	4,801.80	4,647.54	4,789.08
October	4,802.45	4,703.82	4,755.48
November	5,105.56	4,766.68	5,074.49
December	5,216.47	5,059.32	5,117.12
<u>1996</u>			
January	5,395.30	5,032.94	5,395.30
February	5,630.49	5,373.99	5,485.62
March	5,683.60	5,470.45	5,587.14
April	5,689.74	5,485.98	5,569.08
May	5,778.00	5,420.95	5,643.18
June	5,719.27	5,624.71	5,654.63
July	5,729.98	5,346.55	5,528.91
August	5,733.47	5,594.75	5,616.21
September	5,894.74	5,606.96	5,882.17
October	6,094.23	5,904.90	6,029.38
November	6,547.79	6,021.93	6,521.70
December	6,560.91	6,268.35	6,448.27
<u>1997</u>			
January	6,883.90	6,442.49	6,813.09
February	7,067.46	6,746.90	6,877.74
March	7,085.16	6,583.48	6,583.48
April	7,008.99	6,391.69	7,008.99
May	7,383.41	6,976.48	7,331.04
June	7,796.51	7,269.66	7,672.79
July	8,254.89	7,722.33	8,222.61

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August	8,259.31	7,622.42	7,622.42
September	7,996.83	7,660.98	7,945.26
October	8,178.31	7,161.15	7,442.08
November	7,881.07	7,401.32	7,823.13
December	8,149.13	7,660.13	7,908.25

1998

January	7,978.99	7,580.42	7,906.50
February	8,545.72	8,107.78	8,545.72
March	8,906.43	8,444.33	8,799.81
April	9,184.94	8,868.32	9,063.37
May	9,211.84	8,899.95	8,899.95
June	9,069.60	8,627.93	8,952.02
July	9,337.97	8,883.29	8,883.29
August	8,786.74	7,539.07	7,539.07
September	8,154.41	7,615.54	7,842.62
October	8,592.10	7,632.53	8,592.10
November	9,374.27	8,706.15	9,116.55
December	9,320.98	8,695.60	9,181.43

1999

January	9,643.32	9,120.67	9,358.83
February	9,552.68	9,133.03	9,306.58
March	10,006.78	9,275.88	9,786.16
April	10,878.38	9,832.51	10,789.04
May	11,107.19	10,466.93	10,559.74
June	10,970.80	10,490.51	10,970.80
July	11,209.84	10,655.15	10,655.15
August	11,326.04	10,645.96	10,829.28
September	11,079.40	10,213.48	10,336.95
October	10,729.86	10,019.71	10,729.86
November	11,089.52	10,581.84	10,877.81
December	11,497.12	10,998.39	11,497.12

2000

January	11,722.98	10,738.87	10,940.53
February	11,041.05	9,862.12	10,128.31
March	11,119.86	9,796.03	10,921.92
April	11,287.08	10,305.77	10,733.91
May	10,934.57	10,299.24	10,522.33
June	10,815.30	10,376.12	10,447.89
July	10,843.87	10,481.47	10,521.98
August	11,252.84	10,606.95	11,215.10
September	11,310.64	10,628.36	10,650.92
October	10,971.14	9,975.02	10,971.14
November	10,977.21	10,399.32	10,414.49
December	10,898.72	10,318.93	10,786.85

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2001

January	10,945.75	10,525.38	10,887.36
February	10,983.63	10,441.90	10,495.28
March	10,858.25	9,389.48	9,878.78
April	10,810.05	9,485.71	10,734.97
May	11,337.92	10,796.65	10,911.94
June	11,175.84	10,434.84	10,502.40

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July	10,610.00	10,175.64	10,522.81
August	10,551.18	9,919.58	9,949.75
September	10,033.27	8,235.81	8,847.56
October	9,545.17	8,836.83	9,075.14
November	9,982.75	9,263.90	9,851.56
December	10,136.99	9,763.96	10,021.50

2002

January	10,259.74	9,618.24	9,920.00
February	10,145.71	9,625.44	10,106.13
March	10,635.25	10,281.67	10,403.94
April	10,381.73	9,819.87	9,946.22
May	10,353.08	9,808.04	9,925.25
June	9,796.80	9,120.11	9,243.26
July	9,379.50	7,702.34	8,736.59
August	9,053.64	8,043.63	8,663.50
September	8,602.61	7,591.93	7,591.93
October	8,538.24	7,286.27	8,397.03
November	8,931.68	8,358.95	8,896.09
December	8,862.57	8,303.78	8,341.63

2003

January	8,842.62	7,945.13	8,053.81
February	8,109.82	7,749.87	7,891.08
March	8,521.97	7,524.06	7,992.13
April	8,515.66	8,069.86	8,480.09
May	8,850.26	8,454.25	8,850.26
June	9,323.02	8,897.81	8,985.44
July	9,284.57	9,036.04	9,233.80
August	9,428.90	9,036.32	9,415.82
September	9,659.13	9,275.06	9,275.06
October	9,812.98	9,469.20	9,801.12
November	9,858.46	9,619.42	9,782.46
December	10,453.92	9,853.64	10,453.92

2004

January	10,702.51	10,409.85	10,488.07
February	10,737.70	10,470.74	10,583.92

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**License Agreement**

We have entered into a non-exclusive license agreement with Dow Jones providing for the license to us and certain of our affiliated or subsidiary companies, in exchange for a fee, of the right to use the Dow Jones Industrial Average, which is owned and published by Dow Jones, in connection with certain securities, including the Notes.

The license agreement between Dow Jones and us provides that the following language must be set forth in this pricing supplement.

The Notes are not sponsored, endorsed, sold or promoted by Dow Jones. Dow Jones makes no representation or warranty, express or implied, to the owners of the Notes or any member of the public regarding the advisability of investing in securities generally or in the Notes particularly. Dow Jones' only relationship to the Company is the licensing of certain trademarks, trade names and service marks of Dow Jones and of the Dow Jones Industrial Average, which is determined, composed and calculated by Dow Jones without regard to the Company or the Notes. Dow Jones has no obligation to take the Company's' needs or the needs of holders of the Notes into consideration in determining, composing, or calculating the Dow Jones Industrial Average. Dow Jones is not responsible for and has not participated in the determination of the timing of, prices at, or quantities of the Notes to be issued or in the determination or calculation of the alternative redemption amount. Dow Jones has no obligation or liability in connection with the administration, marketing, or trading of the Notes.

"Dow Jones<sup>SM</sup>" and "Dow Jones Industrial Average<sup>SM</sup>" are service marks of Dow Jones & Company, Inc. Dow Jones has no relationship to us other than the licensing of the Dow Jones Industrial Average and its service marks for use in connection with the Notes.

**Dow Jones does *not*:**

Sponsor, endorse, sell or promote the Notes.

Recommend that any person invest in the Notes or any other financial products.

Have any responsibility or liability for or make any decisions about the timing, amount or pricing of the Notes.

Have any responsibility or liability for the administration, management or marketing of the Notes.

Consider the needs of the Notes or the owners of the Notes in determining, composing or calculating the Dow Jones Industrial Average or have any obligation to do so.

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**Dow Jones will not have any liability in connection with the Notes. Specifically,**

**Dow Jones does not make any warranty, express or implied, and Dow Jones disclaims any warranty about:**

**The results to be obtained by the Notes, the owner of the Notes or any other person in connection with the use of the Dow Jones Industrial Average and the data included in the Dow Jones Industrial Average;**

**The accuracy or completeness of the Dow Jones Industrial Average or its data;**

**The merchantability and the fitness for a particular purpose or use of the Dow Jones Industrial Average or its data;**

**Dow Jones will have no liability for any errors, omissions or interruptions in the Dow Jones Industrial Average or its data;**

**Under no circumstances will Dow Jones be liable for any lost profits or indirect, punitive, special or consequential damages or losses, even if Dow Jones knows that they might occur.**

**The licensing relating to the use of the indexes and trademarks referred to above by us is solely for our benefit, and not for any other third parties.**

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**CERTAIN US FEDERAL INCOME TAX CONSIDERATIONS**

The following discussion summarizes certain US federal income tax consequences of the purchase, beneficial ownership and disposition of Notes. Except as provided below under "Federal Income Tax Treatment of Non-US Holders," this summary deals only with a beneficial owner of a Note that is:

an individual who is a citizen or resident of the United States for US federal income tax purposes;

a corporation (or other entity that is treated as a corporation for US federal tax purposes) that is created or organized in or under the laws of the United States or any State thereof (including the District of Columbia);

an estate whose income is subject to US federal income taxation regardless of its source; or

a trust if a court within the United States is able to exercise primary supervision over its administration, and one or more United States persons have the authority to control all of its substantial decisions (each, a "US Holder").

If a partnership (or other entity that is treated as a partnership for US federal tax purposes) is a beneficial owner of Notes, the treatment of a partner in the partnership will generally depend upon the status of the partner and upon the activities of the partnership. A beneficial owner of

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Notes that is a partnership, and partners in such a partnership, should consult their tax advisors about the US federal income tax consequences of holding and disposing of the Notes.

An individual may, subject to certain exceptions, be deemed to be a resident of the United States for US federal income tax purposes by reason of being present in the United States for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year (counting for such purposes all of the days present in the current year, one-third of the days present in the immediately preceding year, and one-sixth of the days present in the second preceding year).

This discussion is based on interpretations of the Internal Revenue Code of 1986, as amended (the "Code"), regulations issued there under, and rulings and decisions currently in effect (or in some cases proposed), all of which are subject to change. Any such change may be applied retroactively and may adversely affect the federal income tax consequences described herein. This summary addresses only US Holders that purchase Notes at initial issuance and beneficially own such Notes as capital assets and not as part of a "straddle," "hedge," "synthetic security" or a "conversion transaction" for federal income tax purposes, or as part of some other integrated investment. This summary does not discuss all of the tax consequences that may be relevant to particular investors or to investors subject to special treatment under the federal income tax laws (such as S corporations, banks, thrifts, other financial institutions, insurance companies, mutual funds, small business investment companies, tax-exempt organizations, retirement plans, real estate investment trusts, regulated investment companies, securities dealers or brokers, traders in securities electing mark to market treatment, investors whose functional currency is not the US dollar, persons subject to the alternative minimum tax, and former citizens or residents of the United States), and this summary does not discuss the tax consequences under the laws of any foreign, state or local taxing jurisdictions. Accordingly, prospective investors are urged to consult their tax advisors with respect to the federal, state and local tax consequences of investing in the Notes, as well as any consequences arising under the laws of any other taxing jurisdiction to which they may be subject.

**PROSPECTIVE PURCHASERS OF NOTES SHOULD CONSULT THEIR TAX ADVISORS AS TO THE FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF NOTES.**

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### Federal Income Tax Treatment of US Holders

#### *Accruals of Original Issue Discount on the Notes*

For US federal income tax purposes, the Notes will be treated as "contingent payment debt instruments" ("CPDIs") subject to taxation under the "noncontingent bond method." Under the noncontingent bond method, US Holders of the Notes will accrue original issue discount ("OID") over the term of the Notes based on the Notes' "comparable yield." As a result, US Holders (including US Holders that employ the cash method of tax accounting) will be required to include OID with respect to their Notes in gross income each year, even though no cash payments will be made with respect to the Notes until maturity.

In general, the comparable yield of a CPDI is equal to the yield at which its issuer would issue a fixed-rate debt instrument with terms and conditions similar to those of the CPDI, including the level of subordination, term, timing of payments, and general market conditions. If a hedge of the CPDI is available that, if integrated with the CPDI, would produce a synthetic debt instrument with a determinable yield to maturity, the comparable yield will be equal to the yield on the synthetic debt instrument. Alternatively, if such a hedge is not available, but fixed-rate debt instruments of the issuer trade at a price that reflects a spread above a benchmark rate, the comparable yield is the sum of the value of the benchmark rate on the issue date and the spread. Under the noncontingent bond method, the issuer's reasonable determination of a comparable yield is respected and binding on holders of the CPDI.

Based on these factors, we believe that the comparable yield of the Notes is equal to 3.96%, compounded annually. Accordingly, US Holders will accrue OID in respect of the Notes at a rate equal to the comparable yield. The amount of OID allocable to each annual accrual period will be the product of the "adjusted issue price" of the Notes at the beginning of each such annual accrual period and the comparable yield. The "adjusted issue price" of the Notes at the beginning of an accrual period will equal the issue price of the Notes plus the amount of OID previously includible in the gross income of the US Holder. The amount of OID includible in income of each US Holder for each taxable year will equal the sum of the "daily portions" of the total OID on the Notes allocable to each day during the taxable year in which a US Holder held the Notes, regardless of the US Holder's method of accounting. The daily portion of the OID is determined by allocating to each day in any accrual period a ratable portion of the OID allocable to such accrual period.

Under the noncontingent bond method, the comparable yield of a CPDI is used to construct a projected payment schedule that produces the comparable yield. Under this method, we believe that the projected payment schedule for the Notes consists of a projected payment amount on the maturity date equal to \$312.39 in respect of each Note. Based upon the comparable yield and the projected payment amount for the Notes, a

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US Holder that pays taxes on a calendar year basis and buys a Note for \$1,000 and holds it to maturity will be required to pay taxes on the following amounts of ordinary income from the Note each year: \$30.76 in 2004, \$40.82 in 2005, \$42.43 in 2006, \$44.11 in 2007, \$45.86 in 2008, \$47.68 in 2009, \$49.57 in 2010 and \$11.17 in 2011. However, for 2011, the amount of ordinary income that a US Holder will be required to pay taxes on from owning a Note may be greater or less than \$11.17, depending upon the payment at maturity. In addition, if the payment at maturity is less than \$312.39, a US Holder may have a loss for 2011. You should note that these projected payment amounts may vary based upon applicable interest rates and may be higher or lower depending upon market conditions on the date the Notes are issued.

Under the noncontingent bond method, the projected payment schedule is not revised to account for changes in circumstances that occur while the Notes are outstanding.

The comparable yield and the projected payment amount for the Notes are used to determine accruals of OID for tax purposes only, and are not assurances by us with respect to the actual yield or

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payments on the Notes and do not represent our expectations regarding a Note's yield or the index percentage change amount.

A US Holder will generally be bound by our determination of the comparable yield and projected payment schedule for the Notes, unless the US Holder determines its own projected payment schedule and comparable yield, explicitly discloses such schedule to the Internal Revenue Service (the "IRS"), and explains to the IRS the reason for preparing its own schedule. We believe that the projected payment schedule and comparable yield for the Notes as set forth above are reasonable and will therefore be respected by the IRS. Our determination, however, is not binding on the IRS, and it is possible that the IRS could conclude that some other projected payment schedule or comparable yield should be used for the Notes.

### *Sale, Exchange, Retirement or Other Disposition of the Notes*

Upon the maturity of a Note, if the payment at maturity exceeds the projected payment amount of \$312.39, a US Holder will be required to include such excess in income as ordinary interest on the maturity date. Alternatively, if the payment at maturity is less than the projected payment amount, the shortfall will be treated as an offset to any OID otherwise includible in income by the US Holder with respect to the Note for the taxable year in which the maturity date occurs, and any remaining portion of such shortfall may be recognized and deducted by the US Holder as an ordinary loss.

Upon the sale, exchange, retirement or other disposition of a Note, a US Holder's gain (or loss) on the disposition will equal the difference between the amount received by the US Holder for the Note and the US Holder's adjusted tax basis in the Note. A US Holder's adjusted tax basis in a Note will be equal to the US Holder's original purchase price for the Note, plus any OID accrued by the US Holder. Any gain realized by a US Holder on a disposition will be treated as ordinary interest income. Any loss realized by a US Holder on a disposition will be treated as ordinary loss to the extent of the US Holder's OID inclusions with respect to the Note. Any loss realized in excess of such amount generally will be treated as a capital loss. Any capital loss recognized by a US Holder will be a long-term capital loss if such US Holder has held such Note for more than one year, and a short-term capital loss in other cases.

### **Disclosure Requirements for US Holders Recognizing Significant Losses or Experiencing Significant Book-Tax Differences**

A US Holder that claims significant losses in respect of a Note (generally (i) \$10 million or more in a taxable year or \$20 million or more in any combination of taxable years for corporations or partnerships all of whose partners are corporations, (ii) \$2 million or more in a taxable year or \$4 million or more in any combination of taxable years for all other taxpayers, or (iii) \$50,000 or more in a taxable year for individuals or trusts with respect to a foreign currency transaction) or reports any item or items of income, gain, expense, or loss in respect of a Note for tax purposes in an amount that differs from the amount reported for book purposes by more than \$10 million on a gross basis in any taxable year may be subject to certain disclosure requirements for "reportable transactions." Prospective investors should consult their tax advisors concerning any possible disclosure obligation with respect to the Notes.

### **Federal Income Tax Treatment of Non-US Holders**

As used in this discussion, the term "Non-US Holder" means a beneficial owner of a Note that is, for US federal income tax purposes:

a nonresident alien individual,

a foreign corporation,

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a foreign partnership,

an estate whose income is not subject to US federal income tax on a net income basis, or

a trust if no court within the United States is able to exercise primary jurisdiction over its administration or if no United States persons have the authority to control all of its substantial decisions.

Payments on the Notes to Non-US Holders will not be subject to US federal income or withholding tax if the following conditions are satisfied:

the Non-US Holder does not actually or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote,

the Non-US Holder is not a controlled foreign corporation for US federal income tax purposes that is related to us through actual or constructive ownership,

the Non-US Holder is not a bank receiving interest on a loan made in the ordinary course of its trade or business,

interest payable on the Notes is not determined by reference to any receipts, sales or other cash flow, income or profits, change in the value of any property of, or any dividend or similar payment made by us or a person related to us, within the meaning of Code section 871(h)(4)(A), and

the payments are not effectively connected with a trade or business conducted by the Non-US Holder in the United States and either (a) the Non-US Holder provides a correct, complete and executed IRS Form W-8BEN or Form W-8IMY (or successor form) with all of the attachments required by the IRS, or (b) the Non-US Holder holds its Note through a qualified intermediary (generally a foreign financial institution or clearing organization or a non-US branch or office of a US financial institution or clearing organization that is a party to a withholding agreement with the IRS) which has provided to us an IRS Form W-8IMY stating that it is a qualified intermediary and has received documentation upon which it can rely to treat the payment as made to a foreign person.

If any of these exceptions apply, interest (including OID) on the Notes will be subject to a 30% withholding tax when paid, unless an income tax treaty reduces or eliminates the tax or the interest is effectively connected with the conduct of a US trade or business and the Non-US Holder provides a correct, complete and executed IRS Form W-8 ECI.

In general, gain realized on the sale, exchange, retirement or other disposition of the Notes by a Non-US Holder will not be subject to US federal income tax, unless:

the gain with respect to the Notes is effectively connected with a trade or business conducted by the Non-US Holder in the United States, or

the Non-US Holder is a nonresident alien individual who holds the Notes as a capital asset and is present in the United States for more than 182 days in the taxable year of the sale and certain other conditions are satisfied.

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A Note held by an individual who at death is a Non-US Holder will not be includible in the individual's gross estate for US federal estate tax purposes if:

the Non-US Holder did not at the time of death actually or constructively own 10% or more of the total combined voting power of all classes of stock of our stock entitled to vote; and

the income on the Note would not have been effectively connected with a trade or business conducted by the Non-US Holder in the United States at the time of death.

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### Information Reporting and Backup Withholding

Information reporting will apply to certain payments on a Note (including interest and OID) and proceeds of the sale of a Note held by a US Holder that is not an exempt recipient (such as a corporation). Backup withholding may apply to payments made to a US Holder if (a) the US Holder has failed to provide its correct taxpayer identification number on IRS Form W-9, or (b) we have been notified by the IRS of an underreporting by the US Holder (underreporting generally refers to a determination by the IRS that a payee has failed to include in income on its tax return any reportable dividend and interest payments required to be shown on a tax return for a taxable year).

Backup withholding will not be required with respect to Non-US Holders, so long as we have received from the Non-US Holder a correct and complete IRS Form W-8BEN or Form W-8IMY with all of the attachments required by the IRS, signed under penalty of perjury, identifying the Non-US Holder and stating that the Non-US Holder is not a United States person. In addition, IRS Form W-8BEN will be required from the beneficial owners of interests in a Non-US Holder that is treated as a partnership for US federal income tax purposes. Interest paid to a Non-US Holder will be reported on IRS Form 1042-S which is filed with the IRS and sent to Non-US Holders.

Information reporting and backup withholding may apply to the proceeds of a sale of a Note by a Non-US Holder made within the United States or conducted through certain US related financial intermediaries, unless the payor receives the statement described above.

Backup withholding is not an additional tax and may be refunded (or credited against your US federal income tax liability, if any), provided, that certain required information is furnished. The information reporting requirements may apply regardless of whether withholding is required. For Non-US Holders, copies of the information returns reporting such interest and withholding also may be made available to the tax authorities in the country in which a Non-US Holder is a resident under the provisions of an applicable income tax treaty or agreement.

**THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN OF THE TAX IMPLICATIONS OF AN INVESTMENT IN NOTES. PROSPECTIVE PURCHASERS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS PRIOR TO INVESTING TO DETERMINE THE TAX IMPLICATIONS OF SUCH INVESTMENT IN LIGHT OF EACH SUCH INVESTOR'S PARTICULAR CIRCUMSTANCES.**

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### ERISA CONSIDERATIONS

Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), prohibits the borrowing of money, the sale of property and certain other transactions involving the assets of plans that are qualified under the Code ("Qualified Plans") or individual retirement accounts ("IRAs") and persons who have certain specified relationships to them. Section 406 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), prohibits similar transactions involving employee benefit plans that are subject to ERISA ("ERISA Plans"). Qualified Plans, IRAs and ERISA Plans are referred to as "Plans."

Persons who have such specified relationships are referred to as "parties in interest" under ERISA and as "disqualified persons" under the Code. "Parties in interest" and "disqualified persons" encompass a wide range of persons, including any fiduciary (for example, investment manager, trustee or custodian), any person providing services (for example, a broker), the Plan sponsor, an employee organization any of whose members are covered by the Plan, and certain persons related to or affiliated with any of the foregoing.

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The purchase and/or holding of the Notes by a Plan with respect to which the Company and/or Bear Stearns is a fiduciary and/or a service provider (or otherwise is a "party in interest" or "disqualified person") would constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, unless such Notes are acquired or held pursuant to and in accordance with an applicable statutory or administrative exemption. The Company and several of its subsidiaries, such as Bear Stearns, are each considered a "disqualified person" under the Code or "party in interest" under ERISA with respect to many Plans, although the Company is not a "disqualified person" with respect to an IRA simply because the IRA is established with Bear Stearns or because Bear Stearns provides brokerage to the IRA, and neither the Company nor Bear Stearns can be a "party in interest" to any IRA other than certain employer-sponsored IRAs as only employer-sponsored IRAs are covered by ERISA.

Applicable exemptions may include certain prohibited transaction class exemptions (for example, Prohibited Transaction Class Exemption ("PTCE") 84-14 relating to qualified professional asset managers, PTCE 96-23 relating to certain in-house asset managers, PTCE 91-38 relating to bank collective investment funds, PTCE 90-1 relating to insurance company separate accounts and PTCE 95-60 relating to insurance company general accounts. A fiduciary of a Plan purchasing the Notes, or in the case of certain IRAs, the grantor or other person directing the purchase of the Notes for the IRA, shall be deemed to represent that its purchase, holding, and disposition of the Notes will not constitute a prohibited transaction under ERISA or Section 4975 of the Code for which an exemption is not available.

A fiduciary who causes an ERISA Plan to engage in a non-exempt prohibited transaction may be subject to a penalty under ERISA. Code Section 4975 generally imposes an excise tax on disqualified persons who engage, directly or indirectly, in similar types of transactions with the assets of Plans subject to such Section.

In accordance with ERISA's general fiduciary requirement, a fiduciary with respect to any ERISA Plan who is considering the purchase of the Notes on behalf of such plan should determine whether such purchase is permitted under the governing plan document and is prudent and appropriate for the ERISA Plan in view of its overall investment policy and the composition and diversification of its portfolio. Plans established with, or for which services are provided by, the Company and/or Bear Stearns should consult with counsel prior to making any such acquisition.

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### USE OF PROCEEDS AND HEDGING

At closing we will transfer the net proceeds from the sale of the Notes to BSIL, for their general corporate purposes. In addition, BSIL, on or before the date of this pricing supplement, will also hedge our anticipated exposure in connection with the Notes by the purchase and sale of exchange-traded and over-the-counter options on, or other derivative or synthetic instruments related to, the Dow Jones Industrial Average, individual stocks included in the Dow Jones Industrial Average, futures contracts on the Dow Jones Industrial Average and/or options on such futures contracts. At various times after the initial offering and before the maturity of the Notes, depending on market conditions (including the value of the Dow Jones Industrial Average), in connection with hedging with respect to the Notes, we expect that BSIL will increase or decrease our initial hedging positions using dynamic hedging techniques and may take long or short positions in the Dow Jones Industrial Average, individual stocks included in the Dow Jones Industrial Average, listed or over-the-counter options contracts in, or other derivative or synthetic instruments related to, the Dow Jones Industrial Average and such individual stocks. In addition, BSIL may periodically purchase or otherwise acquire a long or short position in the Notes and may, in our or their discretion, hold or resell such Notes. BSIL may also take positions in other types of appropriate financial instruments that may become available in the future. If BSIL has a long hedge position in the Dow Jones Industrial Average, individual stocks included in the Dow Jones Industrial Average or options contracts in, or other derivative or synthetic instruments related to, the Dow Jones Industrial Average and such underlying stocks, then BSIL may liquidate a portion of its holdings at or about the time of the maturity of the Notes. Depending on, among other things, future market conditions, the total amount and the composition of such positions are likely to vary over time. BSIL will not be able to ascertain our profits or losses from any hedging position until such position is closed out and any offsetting position or positions is taken into account. Although we have no reason to believe that such hedging activity will have a material impact on the price of such options, stocks, futures contracts and such options on futures contracts or on the value of the Dow Jones Industrial Average, we cannot guarantee that BSIL will not affect such prices or value as a result of their hedging activities. You should also refer to "Use of Proceeds" in the accompanying prospectus.

### SUPPLEMENTAL PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in the Distribution Agreement dated as of June 19, 2003, as amended, we have agreed to sell to Bear Stearns, as principal, and Bear Stearns has agreed to purchase from us, the aggregate principal amount of Notes set forth opposite its name below.

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<b>Agent</b>	<b>Principal Amount of Notes</b>
Bear, Stearns & Co. Inc.	\$ 34,363,000
Total	\$ 34,363,000

We have granted Bear Stearns an option, exercisable for 30 days from the date of this pricing supplement, to purchase from us up to an additional \$5,000,000 of Notes at the public offering price set forth on the cover page of this pricing supplement, less the agent's discount, to cover any over-allotments. If this option is exercised, in whole or in part, subject to certain conditions, Bear Stearns will become obligated to purchase from us and we will be obligated to sell to Bear Stearns an amount of the Notes equal to the amount of the over-allotment exercised.

Bear Stearns intends to initially offer \$34,363,000 of the Notes to the public at the offering price set forth on the cover page of this pricing supplement, and to subsequently resell the remaining face amount of the Notes at prices related to the prevailing market prices at the time of resale. In the future, Bear Stearns may repurchase and resell the Notes in market-making transactions, with resales being made at prices related to prevailing market prices at the time of resale or at negotiated prices.

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We will offer the Notes to Bear Stearns at a discount of 3.5% of the price at which the Notes are offered to the public. Bear Stearns may reallow a discount to other agents not in excess of 3.5% of the public offering price.

Payment of the purchase price shall be made in funds that are immediately available in New York City.

The agents may be deemed to be "underwriters" within the meaning of the Securities Act. We have agreed to indemnify the agents against or to make contributions relating to certain civil liabilities, including liabilities under the Securities Act. We have agreed to reimburse the agents for certain expenses.

The Notes are a new issue of securities with no established trading market. The Notes have been approved for listing (subject to official notice of issuance) on the AMEX. We have been advised by Bear Stearns that, following completion of the offering of the Notes, Bear Stearns intends to make a market in the Notes, although they are under no obligation to do so and may discontinue any market-making activities at any time without notice. Accordingly, no guarantees can be given as to whether an active trading market for the Notes will develop or, if such a trading market develops, as to the liquidity of such trading market.

In order to facilitate the offering of the Notes, Bear Stearns may over-allot or effect transactions which stabilize or maintain the market price of the Notes at a level higher than that which might otherwise prevail in the open market. Specifically, Bear Stearns may over-allot or otherwise create a short position in the Notes for its own account by selling more Notes than have been sold to us. Bear Stearns may elect to cover any such short position by purchasing Notes in the open market. In addition, Bear Stearns may stabilize or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilization transactions or otherwise. The effect of these transactions may be to stabilize or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales of Notes. No representation is made as to the magnitude or effect of any such stabilization or other transactions. Such stabilizing, if commenced, may be discontinued at any time and in any event shall be discontinued within a limited period. No other party may engage in stabilization.

Because Bear Stearns is our wholly-owned subsidiary, each distribution of the Notes will conform to the requirements set forth in Rule 2720 of the NASD Conduct Rules.

### LEGAL MATTERS

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

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**PROSPECTUS SUPPLEMENT**

(To Prospectus Dated November 17, 2003)

**\$10,668,950,162**

**The Bear Stearns Companies Inc.**  
**Medium-Term Notes, Series B**

*Set forth below is a summary of the terms of the notes offered by this prospectus supplement and the accompanying prospectus. For more detail, see "Description of Notes."*

- **Interest**

The notes have a fixed or floating interest rate. The floating interest rate formula will be based on:

- Commercial Paper Rate;
- LIBOR;
- Federal Funds Rate;
- Treasury Rate;
- Prime Rate;
- CMT Rate; or
- Another interest rate formula.

- **Maturity**

The notes will mature in 9 months or more.

- **Ranking**

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

- **Sinking Fund**

The notes may be subject to a sinking fund.

- **Interest Payment Dates**

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

- **Redemption and Repurchase**

The notes may be subject to:

- redemption, at our option; and

- repayment, at your option.

- **Book-Entry Notes**

The notes will be issued in book-entry form unless otherwise set forth in the applicable pricing supplement.

- **Denominations**

The notes will be issued in minimum denominations of \$25,000 (or the specified currency equivalent), increased in multiples of \$1,000 (or the specified currency equivalent), unless otherwise set forth in the applicable pricing supplement.

INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE S-3 OF THIS PROSPECTUS SUPPLEMENT.

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

	Per Note		Total(4)	
Initial public offering price(1)	100%		\$10,668,950,162	
Agents' discounts and commission(2)	0.125%	0.750%	\$13,336,188	80,017,126
Our proceeds, before expenses(3)	99.250%	99.875%	\$10,588,933,036	10,655,613,974

(1) We will issue the notes at 100% of their principal amount, unless otherwise set forth in the applicable pricing supplement.

(2) We will pay a commission to each agent, in the form of a discount, ranging from .125% to .750% of the price to the public of any note, depending on maturity, when that agent places such note. Any agent may agree with us, in respect of the sale of a note, to accept a commission other than one based on maturity, in which case the commission shall range from .025% to .750%. We may sell notes to any agent as principal either at a discount or at 100% of their principal amount, for resale at negotiated prices to be determined by that agent at the time of resale. See "Supplemental Plan of Distribution." We have agreed to indemnify each agent against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

(3) Before deduction of expenses payable by us, estimated at \$676,500.

(4) In US dollars or their equivalent in one or more foreign or composite currencies.

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

November 17, 2003

We are offering the notes on a continuing basis through Bear, Stearns & Co. Inc., and any other agent we may designate. Each agent has agreed to use its reasonable best efforts to solicit purchases of the notes. We have reserved the right to sell notes directly on our own behalf. We will not list the notes on any securities exchange, and we cannot assure you that the notes offered by this prospectus supplement will be sold or that there will be a secondary market for them. We reserve the right to withdraw, cancel or modify the offer made by this prospectus supplement without giving notice. We may reject any offer in whole or in part.

Each agent may use this prospectus supplement in connection with offers and sales associated with market-making transactions in the notes. Each agent may act as principal or agent in the market-making transactions. The offers and sales will be made at prices that relate to prevailing prices at the time.

You must read this prospectus supplement and the accompanying prospectus together with all the documents which are deemed to be incorporated in this prospectus supplement and the accompanying prospectus by reference (see "Where You Can Find More Information" in the accompanying prospectus). This prospectus supplement and the accompanying prospectus must be read and construed on the basis that the incorporated documents are so incorporated and form part of this document, except as specified in this document.

We have not authorized any person to give any information or represent anything not contained in this prospectus supplement and the accompanying prospectus. You must not rely on any unauthorized information.

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## RISK FACTORS

### **Changes in Exchange Rates and Exchange Controls Could Result in a Substantial Loss to You.**

An investment in notes that are denominated in a specified currency other than US dollars, or the principal, premium and/or any interest of which are determined by reference to a currency or currency index or indices, entails significant risks that are not associated with a similar investment in a security denominated in US dollars. Risks include, without limitation, the possibility of significant changes in rates of exchange between the US dollar and the various foreign currencies or composite currencies and the possibility of the imposition or modification of foreign exchange controls by either the United States or foreign governments. These risks generally depend on factors over which we have no control, such as economic and political events or the supply of and demand for the relevant currencies. In recent years, rates of exchange between the US dollar and certain foreign currencies have been highly volatile and such volatility may be expected in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations in the rate that may occur during the term of any note. Depreciation of a specified currency other than US dollars against the US dollar could result in a decrease in the effective yield of the note below its coupon rate, and in certain circumstances could result in a loss to the investor on a US dollar basis.

Governments have imposed, and may in the future impose, exchange controls that could affect exchange rates as well as the availability of a specified foreign currency for making payments with respect to a note. There can be no assurance that exchange controls will not restrict or prohibit payments in any such currency or currency unit. Even if there are no actual exchange controls, it is possible that the specified currency for any particular note would not be available to make payments when due. In that event, we will repay such note in US dollars on the basis of the most recently available exchange rate. See "Description of Notes Payment of Principal and Interest."

### **The Unavailability of Currencies Could Result in a Substantial Loss to You.**

Currently, there are limited facilities in the United States for currency conversion between US dollars and foreign currencies. In addition, banks do not offer non-US dollar denominated checking or savings account facilities in the United States. Accordingly, payments on notes made in a specified currency other than US dollars will be made from an account with a bank located in the country issuing the specified currency. As a result, you may have difficulty or be unable to convert such specified currencies into US dollars on a timely basis or at all. See "Description of Notes Payment of Principal and Interest." Unless otherwise specified in the applicable pricing supplement, notes denominated in a specified currency other than US dollars will not be sold in, or to residents of, the country issuing the specified currency in which particular notes are denominated.

### **Judgments in a Foreign Currency Could Result in a Substantial Loss to You.**

The notes will be governed by and construed in accordance with the laws of the State of New York. If an action based on the notes were commenced in a court in the United States, it is likely that such court would grant judgment relating to the notes only in US dollars. It is not clear, however, whether in granting such judgment, the rate of conversion into US dollars would be determined with reference to the date of default, the date judgment is rendered or some other date. New York statutory law provides, however, that a court shall render a judgment or decree in the foreign currency of the underlying obligation and that the judgment or decree shall be converted into US dollars at the exchange rate prevailing on the date of entry of the judgment. Therefore, the exchange rate on the date of the judgment could be more favorable than the exchange rate on the date that the judgment is paid.

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**Changes in the Value of Underlying Assets of Indexed Notes Could Result in a Substantial Loss to You.**

An investment in currency indexed notes or other indexed notes entails significant risks not associated with similar investments in a conventional debt security. If the interest rate on a currency indexed note or an other indexed note is so indexed, it may result in payment of interest at a rate that is less than that payable on a conventional fixed rate debt security issued at the same time, including the possibility that no interest will be payable. If the principal amount is so indexed, the principal amount payable at maturity may be less than the original purchase price of the note (if permitted pursuant to the terms of the note), including the possibility that no principal will be paid.

The market prices for these notes will be affected by a number of factors independent of our creditworthiness and the value of the applicable currency, security, basket of securities, commodity or index, including:

the volatility of the indexed currency, security, basket of securities, commodity or index;

the time remaining until the maturity of the notes;

the outstanding principal amount of the notes; and

prevailing market interest rates.

The value of the indexed currency, security, basket of securities, commodity or index will depend on a number of interrelated factors, including economic, financial and political events, over which we have no control.

Additionally, if the formula used to determine the principal amount, premium, if any, or rate of interest, if any, payable with respect to these notes contains a multiple or leverage factor, the effect of any change in the indexed currency, security, basket of securities, commodity or index may be increased. The historical experience of the relevant currencies, securities, baskets of securities, commodities or indices should not be taken as an indication of future performance of such currencies, securities, baskets of securities, commodities or indices during the term of any note.

**Please note, this prospectus supplement and the attached prospectus and pricing supplement do not describe all the risks of an investment in notes denominated in a specified currency other than US dollars, or the principal of or the premium and/or any interest on which are determined by reference to a currency or currency index or indices. You should consult your own financial and legal advisors as to the risks entailed by an investment in notes denominated in a specified currency other than US dollars, or as to which the principal, premium and/or any interest is determined by reference to a currency or currency index or indices. These notes are not an appropriate investment for investors who are unsophisticated with respect to foreign currency transactions.**

Except as set forth under "Certain US Federal Income Tax Considerations," the information set forth in this prospectus supplement is directed to prospective purchasers who are US residents, and we disclaim any responsibility to advise prospective purchasers who are residents of countries other than the United States with respect to any matters that may affect the purchase, holding or receipt of payments of principal (and premium, if any) and any interest with respect to the notes. These persons should consult their own financial and legal advisors with regard to such matters.

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

We cannot assure you a trading market for your notes will ever develop or be maintained. In addition to our own creditworthiness, many other factors may affect the trading market value of, and trading market for, your notes. These factors include:

the complexity and volatility of the index or formula applicable to your notes;

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the method of calculating the principal, premium and interest in respect of your notes;

the time remaining to the maturity of your notes;

the outstanding amount of your notes;

any redemption features of your notes;

the amount of other securities linked to the index or formula applicable to your notes; and

the level, direction and volatility of market interest rates generally.

In addition, notes that are designed for specific investment objectives or strategies often experience a more limited trading market and more price volatility. There may be a limited number of buyers when you decide to sell your notes. This may affect the price you receive for your notes or your ability to sell your notes at all. You should not purchase notes unless you understand and know you can bear all of the investment risks related to your notes.

### PRICING SUPPLEMENT

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

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### DESCRIPTION OF NOTES

#### General

The following terms apply to each note unless otherwise specified in the applicable pricing supplement and the note. The applicable pricing supplement will describe the terms for the notes, including:

interest rate;

remarketing provisions;

our right to redeem notes;

your right to tender notes you have purchased; and

any other provisions.

We will issue notes under an indenture, dated as of May 31, 1991, as amended, between us and JPMorgan Chase Bank (formerly, The Chase Manhattan Bank), as Trustee, that is more fully described in the accompanying prospectus. The notes are part of a single series of our debt

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securities that are issuable under the indenture. For a description of the rights attaching to the debt securities under the indenture, see "Description of Debt Securities" in the accompanying prospectus. This description and the description under "Description of Debt Securities" in the accompanying prospectus are summaries and do not restate the indenture. We urge you to read the indenture and its supplements which we have filed with the SEC because they, and not this description or the one in the accompanying prospectus, define your rights as a holder of notes. See "Where You Can Find More Information" in the accompanying prospectus on how to locate the indenture and its supplements.

The notes are limited in amount as described on the cover page of this prospectus supplement, less an amount equal to the aggregate initial public offering price of any other securities we may issue in the future, including any other series of medium-term notes. We may increase this limit if we wish to sell additional notes in the future. Under the indenture, we may issue debt securities over the amount authorized on the date of this prospectus supplement without obtaining your consent or the consent of holders of other debt securities. Each series of notes or other debt securities may differ as to their terms. For current information on our outstanding debt, see our most recent Forms 10-K and 10-Q. See "Where You Can Find More Information" in the accompanying prospectus.

We will offer the notes on a continuous basis at various times. The notes will mature at face value nine months or more from the date they are issued and before maturity may be subject to redemption at our option or repayment at your option, as specified in the applicable pricing supplement. Each note will be denominated in either US dollars or in another currency that will be specified both on the face of the note and in the applicable pricing supplement.

You will be required to pay for any notes you purchase by delivery of the requisite amount of the specified currency to an agent, unless other arrangements have been made. Payments should be made in the specified currency in the country issuing the specified currency, provided that, at your election and, in certain circumstances, at our option, payments on notes denominated in other than US dollars may be made in US dollars. See "Risk Factors The Unavailability of Currencies Could Result in a Substantial Loss to You" and "Payment of Principal and Interest."

US dollar-denominated notes will be issued in minimum denominations of \$25,000, increased in multiples of \$1,000. Non-US dollar-denominated notes will be issued in the amount of the specified currency equal to US \$25,000 or any integral multiple of the equivalent of US \$1,000, as determined by reference to the noon buying rate in New York City for cable transfers in that specified currency as certified for customs purposes by the Federal Reserve Bank of New York for that specified currency on the Business Day before the date of issuance or, if that exchange rate is not available, then on the basis

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of the most recently available exchange rate for the specified currency. We may specify other authorized denominations in the applicable pricing supplement.

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 with respect to their assets. At August 31, 2003:

we had outstanding (on an unconsolidated basis) approximately \$35.2 billion of debt and other obligations, including approximately \$32.1 billion of unsecured senior debt and \$2.8 billion of unsecured inter-company debt; and

our subsidiaries had outstanding (after elimination of inter-company items) approximately \$170.4 billion of debt and other obligations (including \$46.7 billion related to securities sold under repurchase agreements, \$65.6 billion related to payables to customers, \$28.9 billion related to financial instruments sold, but not yet purchased, and \$29.2 billion of other liabilities, including \$16.7 billion of debt).

The notes will not have a sinking fund unless otherwise specified in the pricing supplement.

Unless otherwise set forth in the applicable pricing supplement, each note will be issued in "book-entry" form represented by a permanent global security registered in the name of The Depository Trust Company or its nominee. As long as DTC or its nominee is the registered owner of a global security, DTC or its nominee will be considered the sole owner or holder of the book-entry note(s) represented by that global security under the indenture. See "Book-Entry Notes Registration, Transfer and Payments."

We may issue the notes as exchangeable notes that are exchangeable at your option for:

the securities, or cash representing the value of securities, of an entity unaffiliated with us;

a basket of these securities;

an index or indices of these securities; or

any combination of the above options, as is described in the applicable pricing supplement.

Exchangeable notes may bear interest or be issued with original issue discount or at a premium, all as specified in the applicable pricing supplement. See "Exchangeable Notes."

We may issue the notes as currency indexed notes, the principal amount of which is payable at or before maturity and the interest on which and any premium payable with respect to which will be determined by the difference between the currency in which the notes are denominated and another currency or composite currency or by reference to any other currency index or indices, as set forth in the applicable pricing supplement. See "Currency Indexed Notes."

We may also issue the notes as indexed notes, the principal amount of which is payable at or before maturity and the interest on which and any premium payable with respect to which will be determined by reference to the difference in the price of a specified security or basket of securities, commodity or index on certain specified dates, or by some other index, indices or formulas. See "Other Indexed Notes."

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

In the following discussion, any time we refer to paying principal on the notes, we mean at maturity or upon redemption or repayment. All times are New York City time unless otherwise noted.

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The following terms may apply to each note as specified in the applicable pricing supplement. We have provided the definitions of certain capitalized terms used in this prospectus supplement in the Glossary.

## **Interest Rate**

### **General**

We have provided a Glossary at the end of this prospectus supplement to define certain capitalized words used in discussing the interest rate payable on the notes.

The interest rate on the notes will be either fixed or floating. The interest paid will include interest accrued from the date of original issue to, but excluding, the relevant interest payment date, maturity date, redemption date or repayment date and will be payable on each interest payment date and upon maturity, redemption or repayment. Interest will be paid to the person in whose name the note is registered at the close of business on the record date before each interest payment date, which in the case of global securities representing book-entry notes will be the depository or its nominee. However, interest payable upon maturity, redemption or repayment will be payable to the person to whom principal is payable, which in the case of global securities representing book-entry notes will be the depository or its nominee. The first interest payment on any note issued between a record date and an interest payment date will be made on the interest payment date after the next record date.

### **Fixed Rate Notes**

The applicable pricing supplement will designate the fixed rate of interest payable on a fixed rate note. The fixed rate of interest may be zero in the case of a fixed rate note issued with original issue discount. Each fixed rate note will bear interest from its date of original issue at the

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rate per year stated on its face until the principal is paid or made available for payment. Interest will be paid semiannually or otherwise on the dates specified in the applicable pricing supplement and at maturity, or on redemption or optional repayment.

The record dates for fixed rate notes will be 15 calendar days before the interest payment date, whether or not that date is a Business Day, unless otherwise specified in the applicable pricing supplement. Interest will be computed using a 360-day year of twelve 30-day months. In the event that any interest payment date, maturity date, redemption date or repayment date of a fixed rate note is not a Business Day, the related payment of principal, premium, if any, or interest will be made on the next succeeding Business Day and, unless otherwise specified by the applicable pricing supplement, no interest shall accrue for the period from and after that interest payment date, maturity date, redemption date or repayment date, as the case may be, to the next Business Day.

### **Floating Rate Notes**

#### *General*

The interest rate on a floating rate note will be calculated by reference to the specified interest rate formula, plus or minus a spread, if any, as specified in the applicable pricing supplement. The spread is the number of basis points specified in the applicable pricing supplement as applicable to the interest rate for the floating rate note and may be a fixed amount or an amount that increases or decreases over time. The formula may be based on any of the following rates:

the Commercial Paper Rate;

LIBOR;

the Federal Funds Rate;

the Treasury Rate;

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the Prime Rate;

the CMT Rate; or

another interest rate formula.

In addition to any spread, the applicable pricing supplement will also indicate any applicable maximum or minimum interest rate limitations.

The applicable pricing supplement also will define or specify the following terms, if applicable:

Calculation Date;

initial interest rate;

interest payment period;

interest payment dates;

record date;

Index Maturity;

Interest Determination Date;

Interest Reset Period;

Interest Reset Date; and

sinking fund, if any.

On your request, the Calculation Agent will provide you with the current interest rate and the interest rate which will become effective on the next interest reset date. See " *How Interest Is Calculated.*"

*Date Interest Rate Changes*

The interest rate on floating rate notes may be reset daily, weekly, monthly, quarterly, semiannually or annually, as provided in the applicable pricing supplement. Unless otherwise set forth in the applicable pricing supplement, the Interest Reset Date will be:

for notes which reset daily, each Business Day;

for notes (other than Treasury Rate notes) which reset weekly, the Wednesday of each week;

for Treasury Rate notes which reset weekly, the Tuesday of each week;

for notes which reset monthly, the third Wednesday of each month;

for notes which reset quarterly, the third Wednesday of March, June, September and December;

for notes which reset semiannually, the third Wednesday of the two months specified in the note and/or the applicable pricing supplement; and

for notes which reset annually, the third Wednesday of the month specified in the note and/or the applicable pricing supplement.

The initial interest rate or interest rate formula effective until the first Interest Reset Date will be indicated in the applicable pricing supplement.

After the first Interest Reset Date, the interest rate will be the rate determined on the next Interest Determination Date as explained below. Each time a new interest rate is determined it will become effective on the next Interest Reset Date. Except for notes which reset daily or weekly, no

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changes will be made in the interest rate during the 10 days before the date of maturity, redemption or repayment. Unless otherwise specified in the applicable pricing supplement, the interest rate for notes with daily interest reset dates may be changed until the Business Day immediately before the maturity date. Unless otherwise specified in the applicable pricing supplement, the interest rate for notes with weekly reset dates may be changed until the Interest Reset Date immediately before the maturity date. If any Interest Reset Date is not a Business Day, then the Interest Reset Date will be postponed to the next Business Day. However, in the case of a LIBOR note, if the next Business Day is in the next calendar month, the Interest Reset Date will be the preceding Business Day.

In the case of weekly reset Treasury Rate notes, if an auction of Treasury bills falls on a day that is an Interest Reset Date for Treasury Rate notes, the Interest Reset Date will be the following day that is a Business Day.

### *When Interest Rate Is Determined*

The "Interest Determination Date" is as follows:

for the Commercial Paper Rate and Federal Funds (Effective) Rate, the Business Day before the Interest Reset Date;

for LIBOR, the second London Banking Day before the Interest Reset Date;

for the Treasury Rate, the day of the week in which the Interest Reset Date falls on which Treasury bills would normally be auctioned. Treasury bills are usually sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is usually held on the following Tuesday, unless the auction may be held on the preceding Friday. If the auction is held on the preceding Friday, that Friday will be the Interest Determination Date pertaining to the Interest Reset Date occurring in the next week;

for the Prime Rate and Federal Funds (Open) Rate, the same day as the Interest Reset Date; and

for a CMT Rate Note, the tenth Business Day before the Interest Reset Date.

### *When Interest Is Paid*

Unless otherwise specified in the applicable pricing supplement, interest is paid as follows:

for notes which reset daily, weekly or monthly, on the third Wednesday of each month or on the third Wednesday of March, June, September and December of each year, as specified in the note or the applicable pricing supplement;

for notes which reset quarterly, on the third Wednesday of March, June, September and December of each year;

for notes which reset semiannually, on the third Wednesday of the two months of each year specified in the note or the applicable pricing supplement;

for notes which reset annually, on the third Wednesday of the month specified in the note or the applicable pricing supplement; and

at maturity, redemption or optional repayment.

If any interest payment date, maturity date, redemption date or repayment date of a floating rate note is not a Business Day, the related payment of principal, premium, if any, or interest will be postponed to the next Business Day and, unless otherwise specified in the applicable pricing supplement, no additional interest shall accrue for the period from and after that interest payment date, maturity date, redemption date or repayment date, as the case may be, to the next Business Day. However, for LIBOR notes, if the next Business Day is in the next calendar month, principal, premium, if any, or interest will be paid on the preceding Business Day, provided that any such Business Day is also a London Banking Day.

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For floating rate notes, the record date will be 15 calendar days before each interest payment date, whether or not that date is a Business Day, unless otherwise specified in the applicable pricing supplement.

#### *How Interest Is Calculated*

Unless otherwise specified in the applicable pricing supplement, interest payments will be the amount of interest accrued from, and including, the prior interest payment date in respect of which interest has been paid (or from, and including, the date of original issue if no interest has been paid), to, but excluding, the interest payment date. If the interest payment date is also a day that principal is due, the interest payable will include interest accrued to, but excluding, the date of maturity, redemption or optional repayment.

Accrued interest from the date of original issue or from the last date to which interest has been paid is calculated by multiplying the face amount of the floating rate note by an accrued interest factor. The accrued interest factor is computed by adding the interest factors calculated for each day from the date of issue, or from the last date to which interest has been paid, to the date for which accrued interest is being calculated. The interest factor (expressed as a decimal calculated to seven decimal places without rounding) for each such day is computed by dividing the interest rate applicable to that day by 360, in the case of Commercial Paper Rate notes, Federal Funds Rate notes, LIBOR notes and Prime Rate notes, or by the actual number of days in the year, in the case of Treasury Rate notes. With respect to CMT Rate notes, interest is calculated on the basis of twelve 30-day months and a 360-day year.

All percentages resulting from any calculation on floating rate notes will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upward (e.g., 6.876545% (or .06876545) being rounded to 6.87655% (or .0687655) and 6.876544% (or .06876544) being rounded to 6.87654% (or .0687654)), and all dollar amounts used in or resulting from such calculation will be rounded to the nearest cent (with one-half cent being rounded upward).

The Calculation Date relating to an Interest Determination Date will be the earlier of (a) the tenth calendar day after the Interest Determination Date or, if that day is not a Business Day, the next Business Day or (b) the Business Day before the applicable interest payment date, maturity date, redemption date or repayment date. JPMorgan Chase Bank (formerly, The Chase Manhattan Bank) will be the Calculation Agent with respect to the floating rate notes. On your request, the Calculation Agent will provide you with the interest rate then in effect, and, if different, the interest rate that will become effective as a result of a determination made on the most recent Interest Reset Date with respect to your floating rate note.

#### *Legal Maximum Interest Rate*

In addition to any maximum interest rate for any floating rate note, the interest rate on the floating rate notes will not be higher than the maximum rate permitted by New York law, as modified by federal law. Current New York law provides a maximum interest rate of 25% per annum. This limit does not apply to notes with principal amounts of more than \$2,500,000.

#### *Commercial Paper Rate Notes*

Each Commercial Paper Rate note will bear interest at the rate (calculated with reference to the Commercial Paper Rate and any spread) specified in the Commercial Paper Rate note and in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, the Commercial Paper Rate means, with respect to any Interest Determination Date, the Money Market Yield (as set forth and

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calculated in the Glossary section of this prospectus supplement) on such date of the rate for commercial paper having the Index Maturity specified in the applicable pricing supplement as published in H.15(519) under the heading "Commercial Paper Nonfinancial." If the rate is not published in H.15(519) on the Calculation Date, the Money Market Yield will be calculated based on the rate on the Interest Determination Date as published in H.15 Daily Update or any other recognized electronic source used for displaying that rate under the heading "Commercial Paper Nonfinancial."

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If neither of the rates described above is published on the Calculation Date, then the Commercial Paper Rate will be the Money Market Yield of the arithmetic mean of the offered rates, as of 11:00 a.m. on the Interest Determination Date, of three leading dealers of commercial paper in New York City selected by the Calculation Agent for commercial paper of the specified Index Maturity placed for an industrial issuer whose bond rating is "AA," or the equivalent, from a nationally recognized rating agency.

If the three dealers selected are not quoting as mentioned above, the Commercial Paper Rate will remain the Commercial Paper Rate then in effect on such Interest Determination Date.

### *LIBOR Notes*

Each LIBOR note will bear interest at the rate (calculated with reference to LIBOR and any spread) specified in the LIBOR note and in the applicable pricing supplement. LIBOR will be determined by the Calculation Agent as follows, unless otherwise specified in the applicable pricing supplement:

With respect to any Interest Determination Date, either:

- (a) the arithmetic mean, as determined by the Calculation Agent, of the offered rates for deposits in US dollars for the Index Maturity specified in the applicable pricing supplement, beginning on the second London Banking Day after that date, which appear on the Reuters Screen LIBO Page as of 11:00 a.m., London time, on that date, if at least two such offered rates appear on the Reuters Screen LIBO Page; or
- (b) the offered rate for deposits in US dollars having the specified Index Maturity, beginning on the second London Banking Day after that date, which appears on the Telerate Page 3750 as of 11:00 a.m., London time, on that date.

If neither the Reuters Screen LIBO Page nor Telerate Page 3750 is specified in the applicable pricing supplement, LIBOR will be determined as if Telerate Page 3750 had been specified.

In the case where (a) above applies, if fewer than two offered rates appear on the Reuters Screen LIBO Page, or, in the case where (b) above applies, if no rate appears on the Telerate Page 3750, LIBOR will be determined based on the rates at approximately 11:00 a.m., London time, on that LIBOR Interest Determination Date at which deposits in US dollars having the specified Index Maturity are offered by four major banks in the London interbank market selected by the Calculation Agent to prime banks in the London interbank market beginning on the second London Banking Day after that date and in a principal amount of not less than US \$1,000,000 that is representative of a single transaction in such market at such time (a "representative amount").

The Calculation Agent will request the principal London office of each such bank to provide a quotation of its rate. If at least two such quotations are provided, LIBOR for that date will be the arithmetic mean of such quotations.

If fewer than two quotations are provided, LIBOR for that date will be the arithmetic mean of the rates quoted at approximately 11:00 a.m. on such date by three major banks in New York City selected by the Calculation Agent for loans in US dollars to leading European banks having the specified Index Maturity beginning on the second London Banking Day after that date and in a principal amount of not less than a representative amount.

Finally, if the three banks are not quoting as mentioned above, LIBOR will remain LIBOR then in effect on such Interest Determination Date.

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### *Federal Funds Rate Notes*

Each Federal Funds Rate note will bear interest at the rate (calculated with reference to the Federal Funds Rate and any spread) specified in the Federal Funds Rate note and in the applicable pricing supplement. The Federal Funds Rate may be either of the Federal Funds (Effective) Rate or the Federal Funds (Open) Rate.

Unless otherwise specified in the applicable pricing supplement, the Federal Funds (Effective) Rate means, with respect to any Interest Determination Date, the rate on that day for Federal Funds as published in H.15(519) under the heading "Federal funds (effective)" on Telerate page 120 or any successor service or page or, if not so published on the Calculation Date relating to that Interest Determination Date, the Federal

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Funds (Effective) Rate will be the rate on that Interest Determination Date that is published in H.15 Daily Update or any other recognized electronic source used for displaying that rate under the heading "Federal Funds/Effective Rate."

Unless otherwise specified in the applicable pricing supplement, the Federal Funds (Open) Rate means, with respect to any Interest Determination Date, the rate on that day for Federal Funds as reported on Telerate page 5 under the heading "Federal Funds/Open."

If (1) the applicable Federal Funds (Effective) Rate described above or (2) the Federal Funds (Open) Rate described above is not published by 3:00 p.m. on the relevant Calculation Date, then the Federal Funds (Effective) Rate and the Federal Funds (Open) Rate, as applicable, will be calculated by the Calculation Agent as the arithmetic mean of the rates for the last transaction in overnight Federal Funds arranged by three leading brokers of Federal Funds transactions in New York City selected by the Calculation Agent as of 11:00 a.m., on that Interest Determination Date.

If the brokers that are selected by the Calculation Agent are not quoting, the interest rate in effect for the applicable period will remain the interest rate then in effect on such Interest Determination Date.

### *Treasury Rate Notes*

Each Treasury Rate note will bear interest at the rate (calculated with reference to the Treasury Rate and any spread) specified in the Treasury Rate note and in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, the Treasury Rate means, with respect to any Interest Determination Date, the rate for the most recent auction of Treasury bills, direct obligations of the United States, having the Index Maturity specified in the applicable pricing supplement as published under the column designated "Invest Rate" on Telerate page 56 captioned "US Treasury 3MO T-Bill Auction Results" or Telerate page 57 captioned "US Treasury 6MO T-Bill Auction Results."

If the Treasury Rate cannot be set as described above on the Calculation Date pertaining to such Interest Determination Date, the following procedures will apply, as appropriate:

- (1) The rate will be the auction average rate (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) as otherwise announced by the United States Department of the Treasury.
- (2) If the results of the auction of Treasury bills having the specified Index Maturity are not published in H.15(519) by 3:00 p.m. on the Calculation Date, or if no such auction is held in a particular week, then the Treasury Rate will be calculated by the Calculation Agent and will be a yield to maturity (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean of the secondary market bid rates as of approximately 3:30 p.m. on the Interest Determination Date, of three

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leading primary US government securities dealers selected by the Calculation Agent, for the issue of Treasury bills with a remaining maturity closest to the specified Index Maturity.

- (3) Finally, if the dealers are not quoting as mentioned above, the Treasury Rate will remain the Treasury Rate then in effect on such Interest Determination Date.

### *Prime Rate Notes*

Each Prime Rate note will bear interest at the rate (calculated with reference to the Prime Rate and any spread) specified in the Prime Rate note and the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, Prime Rate means, with respect to any Interest Determination Date, either the rate set forth for that date on Telerate page 5 under the heading "Bank Rate/Prime" or the rate set forth for that date in H.15(519) under the

heading "Bank Prime Loan."

If the Prime Rate cannot be set as described above, the following procedures will occur:

- (1) If the applicable rate is not published in H.15(519) or on Telerate page 5 prior to 9:00 a.m. on the Calculation Date, then the Prime Rate will be the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen NYMF Page on such Interest Determination Date as such bank's prime rate or base lending rate as in effect for such Interest Determination Date.
- (2) If fewer than four rates appear on the Reuters Screen NYMF Page, the rate will be the arithmetic mean of the prime rates quoted on the basis of the actual number of days in the year divided by 360 as of the close of business on such Interest Determination Date by at least two of the three major money center banks in New York City selected by the Calculation Agent from which quotations are requested.
- (3) If fewer than two quotations are provided, the Calculation Agent will determine the Prime Rate as the arithmetic mean on the basis of the prime rates in New York City by the appropriate number of substitute banks or trust companies organized and doing business under the laws of the United States, or any state, in each case having total equity capital of at least US \$500 million and being subject to supervision or examination by federal or state authority, selected by the Calculation Agent to quote the rate or rates.
- (4) If in any month or two consecutive months, the Prime Rate is not published in H.15(519) or on Telerate page 5 and the banks or trust companies selected are not quoting as mentioned in (3) above, the Prime Rate for the Interest Reset Period will remain the same as the Prime Rate for the immediately preceding Interest Reset Period (or, if there was no such Interest Reset Period, the rate of interest payable on the Prime Rate notes for which the Prime Rate is being determined shall be the initial interest rate).

If this failure continues over three or more consecutive months, the Prime Rate for each succeeding Interest Determination Date until the maturity or redemption of such Prime Rate notes or, if earlier, until this failure ceases, shall be LIBOR determined as if such Prime Rate notes were LIBOR notes, and the spread, if any, will be the number of basis points specified in the applicable pricing supplement as the "Alternate Rate Event Spread."

*CMT Rate Notes*

Each CMT Rate note will bear interest at the rate (calculated with reference to the CMT Rate and any spread) specified in the CMT Rate note and in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, the CMT Rate means, with respect to any Interest Determination Date, the rate displayed on the designated CMT Telerate Page,

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under the caption "... Treasury Constant Maturities... Federal Reserve Board Release H.15... Mondays Approximately 3:45 p.m.," under the column for the designated CMT Index Maturity, for:

- (a) the latest rate displayed at the close of business on such Interest Determination Date if the designated CMT Telerate Page is 7051; or
- (b) the average for the week, or the month, as specified in the applicable pricing supplement, ended immediately before the week in which the related Interest Determination Date occurs if the designated CMT Telerate Page is 7052.

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If the CMT Rate cannot be set as described above, the following procedures will occur:

- (1) If the applicable rate described above is not displayed on the relevant page by 3:00 p.m., New York City time on that Calculation Date, unless the calculation is made earlier and the rate is available from that source at that time on the Calculation Date, then the CMT Rate will be the Treasury constant maturity rate having the designated Index Maturity, as published in H.15(519) or another recognized electronic source for displaying the rate.
- (2) If the applicable rate described above is not published in H.15(519) or another recognized electronic source for displaying such rate by 3:00 p.m., New York City time on that Calculation Date, unless the calculation is made earlier and the rate is available from one of those sources at that time, then the CMT Rate will be the Treasury constant maturity rate, or other United States Treasury rate, for the Index Maturity and with reference to the relevant Interest Determination Date, that is published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury and that the Calculation Agent determines to be comparable to the rate formerly displayed on the designated CMT Telerate Page and published in H.15(519).
- (3) If the rate described in the prior paragraph cannot be determined, then the Calculation Agent will determine the CMT Rate to be a yield to maturity based on the average of the secondary market offered rates as of approximately 3:30 p.m., New York City time, on the relevant Interest Determination Date reported, according to their written records, by three leading primary United States government securities dealers in New York City. The Calculation Agent will select five such securities dealers after consulting with us, and will eliminate the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest), for the most recently issued direct noncallable fixed rate obligations of the United States Treasury ("Treasury Notes") with an original maturity of approximately the designated Index Maturity and a remaining term to maturity of not less than the designated Index Maturity minus one year in a representative amount. If two Treasury Notes with an original maturity as described above have remaining terms to maturity equally close to the designated Index Maturity, the quotes for the Treasury Note with the shorter remaining term to maturity will be used.
- (4) If the Calculation Agent cannot obtain three Treasury Note quotations of the kind described in the prior paragraph, the Calculation Agent will determine the CMT Rate to be the yield to maturity based on the average of the secondary market offered rates for Treasury Notes with an original maturity longer than the designated CMT Index Maturity which have a remaining term to maturity closest to the designated CMT Index Maturity and in a representative amount, as of approximately 3:30 p.m., New York City time, on the relevant Interest Determination Date of leading primary United States government securities dealers in New York City. In selecting these offered rates, the Calculation Agent will request quotations from at least five such securities dealers and will disregard the highest quotation (or if there is equality, one of the highest) and the lowest quotation (or if there is equality, one of the lowest). If two Treasury Notes with an original maturity longer than the designated CMT Index Maturity have remaining terms to maturity that are equally close to the designated CMT Index Maturity, the

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Calculation Agent will obtain quotations for the Treasury Note with the shorter remaining term to maturity.

- (5) If fewer than five but more than two of the leading primary United States government securities dealers are quoting as described in the prior paragraph, then the CMT Rate for the relevant Interest Determination Date will be based on the average of the offered rates obtained, and neither the highest nor the lowest of those quotations will be eliminated.
- (6) If two or fewer leading primary United States government securities dealers selected by the Calculation Agent are quoting as described above, the CMT Rate will remain the CMT Rate then in effect on that Interest Determination Date.

### Payment of Principal and Interest

Unless otherwise specified in the applicable pricing supplement, we will pay principal and premium, if any, and interest on all notes in the applicable specified currency. However, payments on notes denominated in a specified currency other than US dollars will be made in US

dollars as described below, unless otherwise specified in the applicable pricing supplement.

*At your option*

Except as provided in the next paragraph, we will pay principal and premium, if any, and interest on all notes denominated in a specified currency other than US dollars in US dollars if the registered noteholder on the relevant record date or at maturity, as the case may be, has delivered a written request for payment of such note in US dollars to the Trustee at its Corporate Trust Office in New York City on or before the applicable record date or 15 days before maturity, as the case may be. The request may be made in writing (mailed or hand delivered) or by cable, telex or other form of facsimile transmission. Any request made will remain in effect with respect to further payments of principal (and premium, if any) and any interest with respect to the note payable to such holder unless the request is revoked on or before the relevant record date or 15 days before maturity, as the case may be. Please note that holders of notes denominated in a specified currency other than US dollars whose notes are registered in the name of a broker or nominee should contact that broker or nominee to determine whether and how an election to receive payments in US dollars should be made.

The US dollar amount to be paid to a holder of a note denominated in a specified currency other than US dollars who elects to receive payment in US dollars will be based on the highest bid quotation in New York City received by the Exchange Rate Agent as of 11:00 a.m. on the second Business Day before the applicable payment date from three recognized foreign exchange dealers (one of which may be the Exchange Rate Agent) for the purchase by the quoting dealer of the specified currency for US dollars for settlement on the payment date in the aggregate amount of the specified currency payable to all noteholders electing to receive US dollar payments and at which the applicable dealer commits to execute a contract. If three bid quotations are not available on the second Business Day before the date of payment, the payment will be made in the specified currency. All currency exchange costs associated with any payment in US dollars on notes denominated in specified currencies other than US dollars will be borne by the noteholder and will be deducted from the payment to such noteholder.

Interest will be payable to the person in whose name a note is registered, which in the case of global securities will be the depositary or its nominee, at the close of business on the record date before each interest payment date. However, interest payable at maturity will be payable to the person to whom principal shall be payable, which in the case of global securities will be the depositary or its nominee.

The total amount of any principal (and premium, if any) and any interest due on any global security representing one or more book-entry notes on any interest payment date or at maturity will be made available to the Trustee on such date. As soon as possible thereafter, the Trustee will make such

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payments to the depositary. The depositary will allocate the payments to each book-entry note represented by a global security and make payments to the holders of such global security in accordance with its existing operating procedures. We and the Trustee will not have any responsibility or liability for the payments by the depositary. So long as the depositary or its nominee is the registered holder of any global security, the depositary or its nominee, as the case may be, will be considered the sole holder of the book-entry note or notes represented by such global security for all purposes under the indenture. We understand, however, that under existing industry practice, the depositary will authorize the persons on whose behalf it holds a global security to exercise certain rights of holders of securities. See "Book-Entry Notes Registration, Transfer and Payments."

Payments of principal (and premium, if any) and any interest with respect to a note to be made in a specified currency other than US dollars will be made by wire transfer to an account maintained by the noteholder with a bank located in the country issuing the specified currency. Payments may also be made to the noteholder's account in another jurisdiction that we and the Trustee have approved and which has been designated by the registered noteholder on the relevant record date or at maturity, as the case may be, in writing on or before the relevant record date before the interest payment date or 15 days before maturity, as the case may be, and, in the case of payments due at maturity, the note is presented to the Paying Agent in time for the Paying Agent to pay to that account in accordance with its normal procedures. The designation shall be made by filing the appropriate information with the Trustee at its Corporate Trust Office in the Borough of Manhattan, New York City, and, unless revoked in writing, will remain in effect with respect to any future payments on the note payable to such holder.

If payment cannot be made by wire transfer because the Trustee has not received the required designation on or before the requisite date or for any other reason, a notice will be mailed to the noteholder at its registered address requesting a designation by which the wire transfer can be made and, within five Business Days of receiving this designation, the Trustee will make the appropriate payment. We will pay any administrative costs imposed by banks in connection with making payments by wire transfer, however, except as specified in the applicable pricing supplement, any taxes, assessments or governmental charges imposed on payments will be borne by the noteholder to whom payments are made.

If the official unit of any component currency is changed as a result of combination or subdivision, the number of units of that currency as a component shall be divided or multiplied in the same proportion. If two or more component currencies are consolidated into a single currency, the amounts of those currencies as components shall be replaced by an amount in such single currency equal to the sum of the amounts of the consolidated component currencies expressed in that single currency. If any component currency is divided into two or more currencies, the amount of that currency as a component shall be replaced by amounts of those two or more currencies, each of which will have a value on the date of division equal to its proportionate share of the former component currency.

Notes denominated in a specified currency other than US dollars will provide that, in the event of an official redenomination of the specified currency, our obligations shall, in all cases, be deemed immediately following the redenomination to provide for payment of that amount of the redenominated specified currency representing the amount of such obligations immediately before the currency was redenominated.

All determinations set forth above to be made by the Calculation Agent and the Exchange Rate Agent, except as expressly provided in this prospectus supplement or the applicable pricing supplement, shall be conclusive for all purposes and binding on all noteholders and on us, in the absence of manifest error, and the Calculation Agent and the Exchange Rate Agent shall not be held liable for these determinations.

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*At our option in the case of an imposition of exchange controls or other circumstances beyond our control.*

If the principal of (and premium, if any) or interest on any note is payable in a specified currency other than US dollars and that specified currency is not available due to the imposition of exchange controls or other circumstances beyond our control, or is no longer used by the government of the country issuing that currency or for settlement of transactions by public institutions of or within the international banking community, we may make the requisite payments in US dollars on the basis of the noon buying rate in New York City for cable transfers in that specified currency as certified for customs purposes by the Federal Reserve Bank of New York for that specified currency on the second Business Day before the applicable payment date or, if that exchange rate is not available, then on the basis of the most recently available exchange rate.

#### **Exchangeable Notes**

We may offer notes that are exchangeable at your option for securities, or cash representing the value of securities, of an entity unaffiliated with us; a basket of these securities; an index or indices of these securities or any combination of these options, all as will be described in the applicable pricing supplement. Exchangeable notes may bear interest or be issued with original issue discount or at a premium, all as will be specified in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, exchangeable notes will entitle you, either during a period or at specific times, to exchange your note for the underlying security or securities constituting the underlying basket, index or indices of these securities (or combination of these alternatives) at a specified rate of exchange. If so specified in the applicable pricing supplement, exchangeable notes will be redeemable at our option before maturity. If you do not elect to exchange your exchangeable note before maturity or any applicable date for redemption, you will receive the principal amount of such note or applicable redemption price in cash.

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

#### **Currency Indexed Notes**

We may offer notes the principal amounts of which are payable at or before maturity and the amounts of interest payable on which and/or any premium payable with respect to which are determined by the rate of exchange between the specified currency and the other currency or composite currency or currencies specified as the indexed currency or by reference to some other currency index or indices, in each case as set forth in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, you will be entitled to receive a principal amount or portion of that amount in respect of the currency indexed note exceeding the amount designated as the face amount of the currency indexed note in the applicable

pricing supplement if, at the stated maturity date, the rate at which the specified currency can be exchanged for the indexed currency is greater than the rate of exchange designated as the base exchange rate, which is expressed in units of the indexed currency per one unit of the specified currency, as specified in the applicable pricing supplement. You will only be entitled to receive a principal amount in respect of the

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currency indexed notes less than the face amount of currency indexed notes, if, at the stated maturity date, the rate at which the specified currency can be exchanged for the indexed currency is less than the base exchange rate, in each case determined as described under "Payment of Principal and Interest."

The applicable pricing supplement will set forth information as to the relative historical value of the applicable specified currency against the applicable indexed currency, any currency and/or exchange controls applicable to the specified currency or indexed currency and any additional tax consequences to holders. See "Risk Factors Changes in Exchange Rates and Exchange Controls Could Result in a Substantial Loss to You."

Unless otherwise specified in the applicable pricing supplement, we will pay interest, and any premium, in the specified currency based on the face amount of the currency indexed notes and at the rate and times and in the manner set forth in this prospectus supplement and in the applicable pricing supplement.

#### **Other Indexed Notes**

We may also offer notes the principal amounts of which are payable at or before maturity and the amounts of any interest payable on which and/or any premium payment with respect to which are determined with reference to a security, basket of securities, commodity or index (for example, the difference in price of a specified security, basket of securities or commodity on certain dates, a securities or commodity index or any other index or indices). The applicable pricing supplement relating to these other indexed notes will set forth the method by and the terms on which the amount of principal (payable on or before the maturity date), interest and/or any premium will be determined, and additional tax consequences to the holders of these notes, a description of certain risks associated with investment in these notes and other information relating to these notes.

#### **Reopened Issues**

We may "reopen" certain issues at any time by offering additional notes with terms identical (other than issue date and issue price) to those of existing notes.

#### **Extension of Maturity Date**

The applicable pricing supplement will indicate whether we may extend the maturity of a note for one or more periods up to, but not beyond, the date that is set forth in the pricing supplement.

We may exercise our option to extend a note's maturity date by notifying the Trustee at least 60, but not more than 75 days, before the note's original maturity date that is in effect before we exercised our option. No later than 55 days before the original maturity date, the Trustee will mail to each noteholder a notice, first class, postage prepaid, setting forth:

- (1) our election to extend the note's maturity date;
- (2) the new maturity date;
- (3) in the case of a fixed rate note, the interest rate that will apply to the extension period or, in the case of a floating rate note, the spread, the new Interest Reset Date(s), if any, and the new interest payment date(s), if any, that will apply to the extension period; and
- (4) the provisions, if any, for redemption or repayment during the extension period.

Once the Trustee has mailed the extension notice to the noteholder, the note's maturity date shall be automatically extended and, except as may be modified by the extension notice or as described in the next paragraph, the note will have the same terms it did before the extension notice was mailed.

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Notwithstanding the foregoing, no later than 20 days before a note's original maturity date, we may at our option revoke its interest rate, in the case of a fixed rate note, or the spread, in the case of a floating rate note, provided for in the extension notice and establish a higher interest rate or higher spread, as the case may be, for the extension period. We may do so by causing the Trustee to mail notice first class, postage prepaid, of a higher interest rate or higher spread, as the case may be, to the noteholder. The notice shall be irrevocable. All notes with respect to which the maturity date is extended will bear the higher interest rate or higher spread, as the case may be, for the extension period, whether or not they are tendered for repayment.

If we extend the maturity date of a note, the holder of such note may have the option to elect repayment of such note on the original maturity date at a price equal to the principal amount of the note plus any accrued interest to such date. In order for a note to be so repaid on the original maturity date, you must follow the procedures set forth under "Repayment and Repurchase" for optional repayment, except that the period for delivery of such note or notification to the Trustee shall be at least 25 but not more than 35 days before the original maturity date and except that a noteholder who has tendered a note for repayment pursuant to an extension notice may, by written notice to the Trustee, revoke any such tender for repayment until the close of business on the tenth day before the original maturity date.

### **Redemption**

Unless otherwise stated in the applicable pricing supplement, the notes will not have a sinking fund. Redemption dates, if any, will be fixed at the time of sale and stated in the applicable pricing supplement and on the applicable note. If no redemption date is indicated with respect to a note, the note will not be redeemable before it matures. We may redeem notes at our option beginning on a specified redemption date if the applicable pricing supplement permits redemption. Unless otherwise specified in the applicable pricing supplement, we may redeem such notes in whole or in part in increments of \$1,000 at a redemption price equal to 100% of the principal amount to be redeemed, together with interest payable up to the redemption date, by giving notice not more than 60 nor less than 30 days before the redemption date.

### **Repayment and Repurchase**

Optional repayment dates will be set at the time of sale and set forth in the applicable pricing supplement and on the applicable note. Except as provided under "Extension of Maturity Date," if no optional repayment date is indicated, your note will not be repayable at your option before it matures.

If the applicable pricing supplement permits, you may cause us to repay your notes on particular dates. Unless otherwise specified in the applicable pricing supplement, we may be required to repay your notes in whole or in part in increments of \$1,000, provided that any remaining principal amount of the note is at least \$25,000. The repayment price will be equal to 100% of the principal amount to be repaid, plus accrued interest to the repayment date.

Unless otherwise specified in the applicable pricing supplement, for any note to be repaid in whole or in part at your option, you must deliver to the Trustee not less than 30 nor more than 60 days before the optional repayment date (or any shorter period as described under "Extension of Maturity Date"):

the note to be repaid with the form entitled "Option to Elect Repayment" set forth on the reverse of such note duly completed; or

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a telegram, telex, facsimile transmission or a letter from a member of a national securities exchange or the National Association of Securities Dealers, Inc. or a commercial bank or a trust company in the US setting forth:

your name,

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the principal amount of the note,

the certificate number of the note or a description of the note's tenor or terms,

the principal amount of the note to be repaid,

a statement that you are exercising your option to elect repayment, and

a guarantee that the note to be repaid, along with the form entitled "Option to Elect Repayment" duly completed, will be received by the Trustee no later than 5 Business Days after the date of the telegram, telex, facsimile transmission or letter.

The Trustee must receive the note and duly completed form entitled "Option to Elect Repayment" by the fifth Business Day after the date of such telegram, telex, facsimile transmission or letter. The exercise of the repayment option will be irrevocable, except as set forth under "Extension of Maturity Date."

If your note is represented by a global security, the depositary's nominee will be the holder and, as a result, will be the only entity that can exercise a right to repayment. To ensure that the depositary's nominee will timely exercise a right to repayment with respect to your interest in a global security, you must instruct the broker, or other direct or indirect participant through which you hold such interest, to notify the depositary of your desire to exercise a right to repayment. To ascertain the time by which instructions must be given for timely notice to be delivered to the depositary, you should consult the broker or other direct or indirect participant through which you hold your interest in a note.

The applicable pricing supplement may provide that the maturity of a floating rate note will be automatically extended for a specified period, unless you elect during a designated period to terminate the automatic extension of the maturity by following the procedures described in the applicable pricing supplement and in the floating rate note.

At any time, we may buy the notes at any price in the open market or otherwise. Any notes we purchase may be held or resold or, at our discretion, may be surrendered to the Trustee for cancellation.

### **Book-Entry Notes Registration, Transfer and Payments**

Book-entry notes may be issued in whole or in part in the form of one or more fully registered global securities deposited with, or on behalf of, the depositary and registered in the name of its nominee. Except as described below, a global security may not be transferred except as a whole by the depositary to its nominee or by its nominee to the depositary or another nominee of the depositary or by the depositary or its nominee to the depositary's successor or the successor's nominee.

The depositary has provided us the following information: The depositary is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. The depositary holds securities that have been deposited by its participating organizations, which are called "participants." The depositary also facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through computerized records for participants' accounts. This eliminates the need to exchange certificates. Participants include securities brokers and dealers, banks, trust

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companies, clearing corporations, and certain other organizations. The depositary is owned by a number of its participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the NASD. The depositary's book-entry system also is used by other organizations such as securities brokers and dealers, banks, and trust companies that work through a participant. Persons who are not participants may beneficially own securities held by the depositary only through participants. The rules applicable to the depositary and its participants are on file with the SEC.

Upon our issuance of any notes that will be represented by a global security, the depositary will immediately credit on its book-entry system the respective amounts of the notes represented by the global security to participants' accounts. The accounts to be credited will be designated by our agents, or by us if we directly offer and sell the notes. Ownership of beneficial interests in a global security will be limited to participants or persons that hold interests through the participants. Beneficial ownership interests in a global security will be shown on, and transfers of those interests will be made only through, records maintained by the depositary's participants or persons holding interests through

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participants. Please note, the laws of some states require that certain purchasers of securities take physical delivery of these securities in definitive form. These limits and laws may impair the ability to transfer beneficial interest in a global security.

Unless the global security is exchanged in whole or in part for a certificated note, the global security cannot be transferred. However, the depositary, its nominees and their successors may transfer a global security as a whole to one another. This means we will not issue certificates to you. Until certificated notes are issued, the depositary, not you, will be considered the holder of notes represented by a global security under the indenture. We have described below the only circumstances where notes represented by a global security will be exchangeable for certificated notes.

We will make payments of principal and interest on the notes to the depositary or its nominee. We and the Trustee will treat the nominee as the owner of the global securities for all purposes. Neither we nor the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of your beneficial ownership interests in a global security or for maintaining, supervising or reviewing the records relating to you as the owner of a beneficial interest in such global securities. We expect that the depositary will credit immediately the respective accounts of the participants upon receipt of any payment of principal or interest on a global security. We expect that participants' payments to owners of the beneficial interests in a global security will be governed by standing customer instructions and customary practices, and will be the participants' responsibility.

The depositary's nominee is the only person that can exercise a right to repayment of a global security. If you own a beneficial interest in a global security and want to exercise a right to repayment, then you must instruct your participant (for example, your broker) to notify the nominee of your desire to exercise such right. Different participants have different procedures for accepting instructions from their customers (for example, cut-off times for notice), and accordingly, you should consult your participant to inform yourself about their particular procedures.

Unless otherwise specified in the applicable pricing supplement, notes will be issued initially as book-entry notes. Generally, we will issue book-entry notes only in the form of global securities. Notes represented by a global security may be exchanged for certificated notes with the same terms in authorized denominations if:

the depositary notifies us that it is unwilling or unable to continue as a depositary and a successor depositary is not appointed by us within 90 days; or

we determine not to have any notes of a series represented by a global security.

In these circumstances, you will be entitled to physical delivery of notes in definitive form in an amount equal to your beneficial ownership interest and registered in your name. Notes issued in definitive form will be issued in denominations of \$25,000 and integral multiples of \$1,000 in excess thereof, except as otherwise specified in the applicable pricing supplement, and will be issued in registered form only, without coupons. Additional information about the depositary's procedures for global notes is contained in the accompanying prospectus under "Description of Debt Securities Global Securities."

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### CERTAIN US FEDERAL INCOME TAX CONSIDERATIONS

The following discussion summarizes certain US federal income tax consequences of the purchase, beneficial ownership and disposition of notes. Except as provided below under "Federal Income Tax Consequences to Non-US Holders," this summary deals only with a beneficial owner of a note that is:

an individual who is a citizen or resident of the United States for US federal income tax purposes;

a corporation (or other entity that is treated as a corporation for US federal tax purposes) that is created or organized in or under the laws of the United States or any State thereof (including the District of Columbia);

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an estate whose income is subject to US federal income taxation regardless of its source; or

a trust if a court within the United States is able to exercise primary supervision over its administration, and one or more United States persons have the authority to control all of its substantial decisions (each, a "US Holder").

If a partnership (or other entity that is treated as a partnership for US federal tax purposes) is a beneficial owner of notes, the treatment of a partner in the partnership will generally depend upon the status of the partner and upon the activities of the partnership. A beneficial owner of notes that is a partnership, and partners in such a partnership, should consult their tax advisors about the US federal income tax consequences of holding and disposing of the notes.

An individual may, subject to certain exceptions, be deemed to be a resident of the United States for US federal income tax purposes by reason of being present in the United States for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year (counting for such purposes all of the days present in the current year, one-third of the days present in the immediately preceding year, and one-sixth of the days present in the second preceding year).

This discussion is based on interpretations of the Internal Revenue Code of 1986, as amended (the "Code"), regulations issued thereunder, and rulings and decisions currently in effect (or in some cases proposed), all of which are subject to change. Any such change may be applied retroactively and may adversely affect the federal income tax consequences described herein. This summary addresses only US Holders that purchase notes at initial issuance and beneficially own such notes as capital assets and not as part of a "straddle," "hedge," "synthetic security" or a "conversion transaction" for federal income tax purposes, or as part of some other integrated investment. This summary does not discuss all of the tax consequences that may be relevant to particular investors or to investors subject to special treatment under the federal income tax laws (such as S corporations, banks, thrifts, other financial institutions, insurance companies, mutual funds, small business investment companies, tax-exempt organizations, retirement plans, real estate investment trusts, regulated investment companies, securities dealers or brokers, traders in securities electing mark to market treatment, investors whose functional currency is not the US dollar, persons subject to the alternative minimum tax, and former citizens or residents of the United States), and this summary does not discuss the tax consequences under the laws of any foreign, state or local taxing jurisdictions. Accordingly, prospective investors are urged to consult their tax advisors with respect to the federal, state and local tax consequences of investing in the notes, as well as any consequences arising under the laws of any other taxing jurisdiction to which they may be subject.

The applicable pricing supplement may contain a further discussion of the special US federal income tax consequences applicable to certain notes, including notes that may be convertible into or exercisable or exchangeable for our common or preferred stock or depositary shares or for securities, or cash representing the value of securities, of an entity unaffiliated with us, a basket of securities, or

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an index or indices of these securities, notes that are "contingent payment debt instruments" (as described below), notes that are renewable or extendible, currency or other indexed notes, and amortizing notes.

### **Payments of Interest**

Except as described below, interest on a note will be taxable to a US Holder as ordinary interest income at the time it accrues or is received in accordance with the US Holder's normal method of accounting for tax purposes. Special rules governing the treatment of notes issued at an original issue discount are described under "Original Issue Discount," below.

### **Original Issue Discount**

The following is a summary of the principal US federal income tax consequences of the ownership of notes having original issue discount ("OID") and a term of more than one year. The US federal income tax treatment of the notes with a term of one year or less is summarized below under "Short-Term Notes."

A note will have OID for US federal income tax purposes if its "issue price" is less than its "stated redemption price at maturity" by more than a *de minimis* amount, as discussed below.

The issue price of a note generally is the first price at which a substantial amount of the "issue" of the notes is sold to the public for money (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers), excluding pre-issuance accrued discount (as discussed below under "Pre-Issuance Accrued Interest").

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The stated redemption price at maturity of a note generally is the total amount of all payments provided by the note other than "qualified stated interest" payments.

Qualified stated interest generally is stated interest that is "unconditionally payable" in cash or property (other than debt instruments of the issuer) at least annually either at a single fixed rate, or a "qualifying variable rate" (as described below). Qualified stated interest is taxable to a US Holder when accrued or received in accordance with the US Holder's normal method of tax accounting.

Interest is considered unconditionally payable only if reasonable legal remedies exist to compel timely payment or the note otherwise provides terms and conditions that make the likelihood of late payment (other than a late payment within a reasonable grace period) or non-payment a remote contingency. Interest is payable at a single fixed rate only if the rate appropriately takes into account the length of the interval between stated interest payments. Thus, if the interval between payments varies during the term of the instrument, the value of the fixed rate on which payment is based generally must be adjusted to reflect a compounding assumption consistent with the length of the interval preceding the payment.

Notes having "*de minimis* OID" generally will be treated as not having OID unless a US Holder elects to treat all interest on the note as OID. See "Election to Treat All Interest as Original Issue Discount (Constant Yield Method Election)." A note will be considered to have *de minimis* OID if the difference between its stated redemption price at maturity and its issue price is less than the product of  $\frac{1}{4}$  of 1 percent of the stated redemption price at maturity and the number of complete years from the issue date to maturity (or the weighted average maturity in the case of a note that provides for payment of an amount other than qualified stated interest before maturity).

US Holders of notes having OID will be required to include OID in gross income for US federal income tax purposes as it accrues (regardless of the US Holder's method of accounting), which may be in advance of receipt of the cash attributable to such income. OID accrues under the constant yield method, based on a compounded yield to maturity, as described below. Accordingly, US Holders of

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notes having OID will generally be required to include in income increasingly greater amounts of OID in successive accrual periods.

The annual amount of OID includible in income by the initial US Holder of a note having OID will equal the sum of the "daily portions" of the OID with respect to the note for each day on which the US Holder held the note during the taxable year. Generally, the daily portions of OID are determined by allocating to each day in an "accrual period" the ratable portion of OID allocable to the accrual period. The term accrual period means an interval of time with respect to which the accrual of OID is measured, and which may vary in length over the term of the note provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on either the first or last day of an accrual period.

The amount of OID allocable to an accrual period will be the excess of:

the product of the "adjusted issue price" of the note at the commencement of the accrual period and its "yield to maturity" over

the amount of any qualified stated interest payments allocable to the accrual period.

The adjusted issue price of a note at the beginning of the first accrual period is its issue price and, on any day thereafter, it is the sum of the issue price and the amount of OID previously includible in the gross income of the US Holder (without regard to any "acquisition premium" as described below), reduced by the amount of any payment other than a payment of qualified stated interest previously made on the note. If an interval between payments of qualified stated interest contains more than one accrual period, the amount of qualified stated interest that is payable at the end of the interval (including any qualified stated interest that is payable on the first day of the accrual period immediately following the interval) is allocated on a *pro-rata* basis to each accrual period in the interval, and the adjusted issue price at the beginning of each accrual period in the interval is increased by the amount of any qualified stated interest that has accrued prior to the first day of the accrual period but is not payable until the end of the interval. The yield to maturity of a note is the yield to maturity computed on the basis of compounding at the end of each accrual period properly adjusted for the length of the particular accrual period. If all accrual periods are of equal length except for a shorter initial and/or final accrual period(s), the amount of OID allocable to the initial period may be computed using any reasonable method; however, the OID allocable to the final accrual period will always be the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period.

### **Pre-Issuance Accrued Interest**

If (i) a portion of the initial purchase price of a note is attributable to pre-issuance accrued interest, (ii) the first stated interest payment on the note is to be made within one year of the note's issue date, and (iii) the payment will equal or exceed the amount of pre-issuance accrued interest, then the US Holder may compute the issue price of the note by subtracting the amount of the pre-issuance accrued interest. In that event, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on the note.

### **Alternative Payment Schedules**

If a note (i) provides for an alternative payment schedule or schedules applicable upon the occurrence of a contingency or contingencies relating to payments of interest or of principal (other than a "remote" or "incidental" contingency), (ii) the timing and amount of the payments that comprise each payment schedule are known as of the issue date and (iii) one of such schedules is significantly more likely than not to occur, then the yield and maturity of the note are generally determined by assuming that the payments will be made according to that payment schedule. If there is no single payment

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schedule that is significantly more likely than not to occur (other than because of a mandatory sinking fund), the note may be subject to the rules described below under "Contingent Payment Debt Instruments" and in the applicable pricing supplement.

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

### **Call and Put Options**

For purposes of calculating the yield and maturity of a note subject to a call option held by us, in general, the option is presumed exercised if the yield on the note would be less than it would be if the option were not exercised, and a put option held by a US Holder is presumed exercised if the yield on the note would be more, than it would be if the option were not exercised. The effect of this rule generally may accelerate or defer the inclusion of OID in the income of a US Holder whose note is subject to a put option or a call option, as compared to a note that does not have such an option. If any option that is presumed to be exercised is not in fact exercised, the note is treated as reissued solely for purposes of the OID rules on the date of presumed exercise for an amount equal to its adjusted issue price on that date. The deemed reissuance will have the effect of redetermining the note's yield and maturity for OID purposes and any related subsequent accruals of OID.

### **Variable Rate Debt Instruments**

A note that qualifies as a "variable rate debt instrument" will be subject to the rules described below and will not be treated as a "contingent payment debt instrument" described in the following section. A note will be treated as a variable rate debt instrument if:

the issue price of the note does not exceed the total amount of noncontingent principal payments by more than the product of such principal payments and the lesser of (i) 15 percent or (ii) the product of 1.5 percent and the number of complete years in the debt instrument's term (or its weighted average maturity in the case of an installment obligation), and

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

For purposes of determining if a note is a variable rate debt instrument, a qualified floating rate is a variable rate whose variations can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the debt instrument is denominated and is set at a "current rate." A qualified floating rate (or objective rate, as described below) must be set at a current value of that rate. A current value is the value of the variable rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that day.

A multiple of a qualified floating rate is generally not a qualified floating rate, unless it is either:

a product of a qualified rate times a fixed multiple greater than 0.65 but not more than 1.35, or

a multiple greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate.

Certain combinations of rates are treated as a single qualified floating rate, including (i) interest stated at a fixed rate for an initial period of one year or less followed by a qualified floating rate if the value

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of the floating rate at the issue date is intended to approximate the fixed rate, and (ii) two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the note. A combination of these rates is generally treated as a single qualified floating rate if the values of all rates on the issue date are within 0.25 percentage points of each other. A variable rate that is subject to an interest rate cap, floor, governor or similar restriction on rate adjustment is treated as a qualified floating rate only if the restriction is fixed throughout the term of the note, or is not reasonably expected as of the issue date to cause the yield on the note to differ significantly from its expected yield absent the restriction.

An objective rate is defined as a rate (other than a qualified floating rate) that is determined using a single fixed formula and that is based on objective financial or economic information (other than a rate based on information that is within our control (or the control of a party that is related to us) or that is unique to our circumstances (or those of a related party)). The Internal Revenue Service ("IRS") may designate other variable rates that will be treated as objective rates. However, a variable rate is not an objective rate if it is reasonably expected that the average value of the rate during the first half of the note's term will differ significantly from the average value of such rate during the final half of its term. A combination of a fixed rate of stated interest for an initial period of one year or less followed by an objective rate is treated as a single objective rate if the value of the objective rate at the issue date is intended to approximate the fixed rate; such a combination of rates is generally treated as a single objective rate if the objective rate on the issue date does not differ from the fixed rate by more than 0.25 percentage points. An objective rate is a qualified inverse floating rate if it is equal to a fixed rate reduced by a qualified floating rate, the variations in which can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate (disregarding permissible rate caps, floors, governors and similar restrictions as those discussed above).

If a note is a variable rate debt instrument, special rules apply to determine the amount of qualified stated interest and the amount and accrual of any OID. If the note bears interest that is unconditionally payable at least annually at a single qualified floating rate or objective rate, all stated interest is treated as qualified stated interest. The accrual of any OID is determined by assuming the note bears interest at a fixed interest rate equal to the issue date value of the qualified floating rate or qualified inverse floating rate or, in the case of any other objective rate, a fixed internal rate that is equal to the reasonably expected yield for the note. The qualified stated interest allocable to an accrual period is increased (or decreased) if the interest actually paid during an accrual period exceeds (or is less than) the interest assumed to be paid during the accrual period.

If the note bears interest at a qualifying variable rate other than a single qualified floating rate or objective rate, the amount and accrual of OID generally are determined by (i) determining a fixed rate substitute for each variable rate as described in the preceding paragraph, (ii) determining the amount of qualified stated interest and OID by assuming the note bears interest at such substitute fixed rates and (iii) making appropriate adjustments to the qualified stated interest and OID so determined for actual interest rates under the note. However, if such qualifying variable rate includes a fixed rate, the note is treated for purposes of applying clause (i) of the preceding sentence as if it provided for an assumed qualified floating rate (or qualified inverse floating rate if the actual variable rate is such) that would cause the note to have approximately the same fair market value, and the rate is used in lieu of the fixed rate.

Notes bearing interest at a variable rate and having a term in excess of one year that do not bear interest at a qualifying variable rate or that have contingent principal payments or an issue price that exceeds the noncontingent principal payments by more than the allowable amount are treated as "contingent payment debt instruments," as described below.

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Notes that provide for one or more contingent payments but that do not qualify as variable rate debt instruments may be treated as contingent payment debt instruments ("CPDIs"). If a CPDI is issued for cash or publicly traded property, OID is determined and accrued under the "noncontingent bond method."

Under the noncontingent bond method, US Holders of the notes will accrue OID over the term of the note based on the note's "comparable yield." In general the comparable yield of a CPDI is equal to the yield at which the issuer would issue a fixed rate debt instrument with terms and conditions similar to those of the CPDI, including level of subordination, term, timing of payments, and general market conditions. However, if a fixed rate debt instrument with similar terms and conditions is not available, but a similar fixed rate debt instrument of an issuer is traded at a price that reflects a spread above a benchmark rate, the comparable yield is the sum of the benchmark rate on the issue date and the spread.

In addition to the determination of a comparable yield, the noncontingent bond method requires determination of a schedule of the projected amount of each payment (whether or not contingent) to be made under the CPDI. The projected payment schedule is determined in such a way that the sum of the discounted present value of the projected amounts of all payments, determined using a discount rate equal to the comparable yield, equals the issue price and reasonably reflects the relative expected values of the payments. The projected payment schedule is then determined as of the issue date and remains fixed throughout the term of the CPDI.

The projected payment schedule is used to determine the US Holder's interest accruals and adjustments, unless the US Holder determines that our projected payment schedule is unreasonable, in which case the US Holder must disclose its own projected payment schedule in connection with its federal income tax return and the reason(s) why it is not using our projected payment schedule.

The projected payment schedule includes all noncontingent payments as well as a projected amount for each contingent payment. Appropriate adjustments are made to account for any difference between the projected amount of a contingent payment and the actual amount of the payment. The projected amounts are, in effect, treated as fixed, and interest accrual is required based on these projected amounts whether or not the amount of any payment is fixed or determinable in the taxable year. Thus, the noncontingent bond method may result in recognition of income prior to the receipt of cash.

A US Holder's basis in a CPDI is increased by the projected contingent payments accrued by the holder under the projected payment schedule (as determined without regard to adjustments made to reflect differences between actual and projected payments) and reduced by the amount of any non-contingent payments and the projected amount of any contingent payments previously made. Gain on the sale, exchange, or retirement of a CPDI generally would be treated as ordinary income. Losses, on the other hand, would be treated as ordinary only to the extent of the holder's prior net interest inclusions (reduced by the total net negative adjustments previously allowed to the holder as an ordinary loss) and capital to the extent in excess thereof.

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

### Short-Term Notes

A note that has a maturity of one year or less from the date of its issuance is a "short-term note." In general, an individual or other cash method US Holder of a short-term note is not required to accrue OID for US federal income tax purposes unless the US Holder elects to do so. This election

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applies to all short-term notes acquired by the US Holder during the first taxable year for which the election is made, and all subsequent taxable years of the US Holder, unless the IRS consents to a revocation. US Holders that report income for US federal income tax purposes on the accrual method and certain other holders, including banks, common trust funds, holders who hold the short-term notes as part of certain identified hedging transactions, regulated investment companies, certain pass-through entities and dealers in securities, are required to include OID on such short-term notes on a straight-line basis, unless an irrevocable election with respect to any short-term note is made to accrue the OID under the constant yield method based on daily compounding. In the case of a US Holder that is not required and does not elect to include OID in income currently, any gain realized on the sale, exchange or retirement of a short-term note is treated as ordinary income to the extent of the OID which had accrued on a straight-line basis (or, if elected, under the constant yield method based on daily compounding) through the date of sale, exchange or retirement. In addition, non-electing US Holders that are not subject to the current inclusion requirement described in this paragraph will be required to defer deductions for any interest paid on indebtedness incurred or continued to purchase or carry such short-term notes in an amount not exceeding the deferred interest income, until the deferred interest income is realized.

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For purposes of determining the amount of OID subject to these rules, all interest payments on a short-term note, including stated interest, are included in the short-term note's stated redemption price at maturity.

### Market Discount and Premium

If a US Holder purchases a note, other than a short-term note, for an amount that is less than its stated redemption price at maturity or, in the case of a note having OID, less than its revised issue price (which is the sum of the issue price of the note and the aggregate amount of the OID previously includible in the gross income of any holder (without regard to any acquisition premium)), the amount of the difference generally will be treated as market discount for US federal income tax purposes. (It is possible that a US Holder may purchase a note at original issuance for an amount that is different than its issue price.) The amount of any market discount generally will be treated as *de minimis* and disregarded if it is less than the product of 0.25 percent of the stated redemption price at maturity of the note and the number of complete years to maturity (or weighted average maturity in the case of notes paying any amount other than qualified stated interest prior to maturity).

Under the market discount rules, a US Holder is required to treat any principal payment on, or any gain on the sale, exchange, retirement or other disposition of, a note as ordinary income to the extent of any accrued market discount which has not previously been included in income. If the note is disposed of in a nontaxable transaction (other than certain specified nonrecognition transactions), accrued market discount will be includible as ordinary income to the US Holder as if the US Holder had sold the note at its then fair market value. In addition, the US Holder may be required to defer, until the maturity of the note or its earlier disposition in a taxable transaction, the deduction of all or a portion of the interest expense on any indebtedness incurred or continued to purchase or carry the note.

Market discount accrues ratably during the period from the date of acquisition to the maturity of a note, unless the US Holder elects to accrue it under the constant yield method. A US Holder of a note may elect to include market discount in income currently as it accrues (either ratably or under the constant yield method), in which case the rule described above regarding deferral of interest deductions will not apply. The election to include market discount currently applies to all market discount obligations acquired during or after the first taxable year to which the election applies, and may not be revoked without the consent of the IRS. If an election is made to include market discount in income currently, the basis of the note in the hands of the US Holder will be increased by the market discount thereon as it is included in income.

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A US Holder that purchases a note having OID for an amount exceeding its "adjusted issue price" (which is described above under "Original Issue Discount") and less than or equal to the sum of all remaining amounts payable on the note other than payments of qualified stated interest will be treated as having purchased the note with acquisition premium. The amount of OID that the US Holder must include in gross income with respect to such note will be reduced in the proportion that the excess bears to the OID remaining to be accrued from the date of the note's acquisition through the stated maturity date. Rather than apply the above fraction, a US Holder that, as discussed below, elects to treat all interest as OID would treat the purchase at an acquisition premium as a purchase at an original issuance and calculate OID accruals on a constant yield to maturity.

A US Holder that acquires a note for an amount that is greater than the sum of all remaining amounts payable on the note other than payments of qualified stated interest will be treated as having purchased the note at a bond premium, and will not be required to include any OID in income. A US Holder generally may elect to amortize bond premium. The election to amortize bond premium must be made with a timely-filed federal income tax return for the first taxable year to which the US Holder wishes the election to apply.

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

An election to amortize bond premium will apply to amortizable bond premium on all notes and other bonds, the interest on which is includible in the US Holder's gross income, held at the beginning of the US Holder's first taxable year to which the election applies or thereafter acquired, and may be revoked only with the consent of the IRS. The election to treat all interest as OID is treated as an election to amortize bond premium. Special rules may apply if a note is subject to a call option prior to maturity at a price in excess of its stated redemption price at

maturity.

**Election to Treat All Interest as Original Issue Discount (Constant Yield Method Election)**

A US Holder of a note may elect to include in income all interest and discount (including *de minimis* OID and *de minimis* market discount), as adjusted by any premium with respect to the note, as OID on a constant yield method, which is described above under "Original Issue Discount." The election is made for the taxable year in which the US Holder acquired the note, and it may not be revoked without the consent of the IRS. If the election is made with respect to a note having market discount, the US Holder will be deemed to have elected currently to include market discount on a constant yield basis with respect to all debt instruments having market discount acquired during the year of election or thereafter. If the election is made with respect to a note having amortizable bond premium, the US Holder will be deemed to have made an election to amortize premium generally with respect to all debt instruments having amortizable bond premium held by the US Holder during the year of election or thereafter.

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**Foreign Currency Notes**

The following discussion applies to foreign currency notes that are not denominated in or indexed to a currency that is considered "hyperinflationary," that are not CPDIs and that are not "dual currency notes." Special US tax considerations applicable to obligations that are denominated in or indexed to a hyperinflationary currency, are CPDIs or are dual currency notes that will be discussed in the applicable pricing supplement.

In general, a US Holder that uses the cash method of accounting and holds a foreign currency note will be required to include in income the US dollar value of the amount of interest income received, whether or not the payment is received in US dollars or converted into US dollars. The US dollar value of the amount of interest received is the amount of foreign currency interest paid, translated into US dollars at the spot rate on the date of receipt. The US Holder will not have exchange gain or loss on the interest payment itself, but may have exchange gain or loss when it disposes of any foreign currency received.

A US Holder that uses the accrual method of accounting is generally required to include in income the dollar value of interest accrued during the accrual period. Accrual basis US Holders may determine the amount of income recognized with respect to such interest in accordance with either of two methods. Under the first method, the dollar value of accrued interest is translated at the average rate for the interest accrual period (or, with respect to an accrual period that spans two taxable years, the partial period within the taxable year). For this p