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BEAR STEARNS COMPANIES INC

Form FWP

January 17, 2006

Filed Pursuant to Rule 433  
Registration No. 333-121744

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BEAR  
STEARNS

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STRUCTURED EQUITY PRODUCTS  
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Indicative Terms

New Issue  
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January 13, 2006  
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The Bear Stearns Companies Inc.  
Note linked to a Basket of Commodities

Due July [29], 2011

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Investment Highlights  
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- o 5.5 year term to maturity
- o Principal protected if held to maturity
- o Issue is a direct obligation of The Bear Stearns Companies Inc. (Rated A1 by Moody's / A by S&P)
- o Issue Price: 100.00% of the Principal Amount (\$1,000)
- o Linked to Crude Oil, Natural Gas, Aluminum, Copper and Gold
- o Depending upon the value of the Basket, potential [2.50% - 3.50%] semi-annual Coupons, [5.00% - 7.00%] annualized
- o 100% participation in the percentage gain, if any, in the value of the Basket

The issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this free writing prospectus relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at [www.sec.gov](http://www.sec.gov). Alternatively, the issuer, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling toll free 1-866-803-9204.

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[GRAPHIC OMITTED]

BEAR, STEARNS & CO. INC.

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STRUCTURED EQUITY PRODUCTS  
(212) 272-6928

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TERMS OF OFFERING  
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Issuer: The Bear Stearns Companies Inc. ("BSC")

Issuer's Rating: A1 / A (Moody's / S&P)

CUSIP Number: 073928 N 41

Issue Price: 100.00% of principal (the "Principal Amount").

Agent's Discount [ ]%

Denominations: \$1,000 per Note.

Selling Period Ends: January [25], 2006

Settlement Date: January [31], 2006

Calculation Date: July [25], 2011

Maturity Date: July [29], 2011 (for a term of approximately 5.5-years).

Interest Amount: If, on any Semi-Annual Interest Observation Date, the Basket Level is greater than the Initial Basket Level, the interest payment for that period will be [2.50% - 3.50%]. If the Basket Level is below the Initial Basket Level, no interest will be paid for that period.

Cash Settlement Value: Principal Amount + (100% x Basket Performance)

Basket Performance: The greater of zero and the formula below:

$$100\% \times \frac{(\text{Basket Level on Calculation Date} - \text{Initial Basket Level})}{\text{Initial Basket Level}}$$

Initial Basket Level: 100

Basket Level: 100 x the sum of [Component Weight x Commodity Level]

Component Weight: 20% for each Component

Commodity Level:

$$\frac{\text{Individual Component Level}}{\text{Initial Individual Component Level}}$$

Individual Components: Crude Oil, WTI: CL1 (Comdty) on Bloomberg  
 Natural Gas: NG1 (Comdty) on Bloomberg  
 Aluminum: LOAHDY (Comdty) on Bloomberg

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Copper: LOCADY (Comdty) on Bloomberg  
Gold: GOLDLNPM (Comdty) on Bloomberg

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### ADDITIONAL TERMS SPECIFIC TO THE NOTES

You should read this document together with the Prospectus, as supplemented by the Prospectus Supplement, each dated February 2, 2005, and the more detailed information contained in the Pricing Supplement, dated January 11, 2006. You should carefully consider, among other things, the matters set forth in "Risk Factors" in the Pricing Supplement, as the Notes involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisers before you invest in the Notes. The Pricing Supplement, dated January 11, 2006, and the accompanying Prospectus and Prospectus Supplement, each dated February 2, 2005 may be accessed on the SEC Web site at [www.sec.gov](http://www.sec.gov) as follows:

- o <http://www.sec.gov/Archives/edgar/data/777001/000104746906000332/a2166514z424b5.htm>

### ILLUSTRATIVE EXAMPLES

#### Illustrative Examples:

The following are illustrative examples demonstrating the hypothetical Cash Settlement Value of a Note based on the five assumptions listed below. Actual returns may be different.

#### Assumptions:

- o Investor purchases \$1,000 principal amount of Notes at the initial offering price of \$1,000.
- o Investor does not sell the Notes and holds the Notes to maturity.
- o All returns are based on a 5.5-year term; pre-tax basis.
- o No Market Disruption Events or Events of Default occur during the term of the Notes.
- o Contingent interest rate is [3.00]% per semi-annual period.

Example 1: The five Components underlying the Basket each increase significantly during the term of the Notes.

| Semi-Annual<br>Interest<br>Observation<br>Date for | Basket Performance<br>at the end of each<br>Period | Coupon, if any,<br>per Note |
|--|--|-----------------------------|
|--|--|-----------------------------|

|              |        |      |
|--------------|--------|------|
| July 2006    | 15.00% | \$30 |
| January 2007 | 17.50% | \$30 |

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|                    |        |       |
|--------------------|--------|-------|
| June 2007          | 18.50% | \$30  |
| January 2008       | 24.70% | \$30  |
| July 2008          | 36.50% | \$30  |
| January 2009       | 47.00% | \$30  |
| July 2009          | 49.00% | \$30  |
| January 2010       | 55.00% | \$30  |
| July 2010          | 62.00% | \$30  |
| January 2011       | 67.00% | \$30  |
| July 2011          | 69.00% | \$30  |
| -----              |        |       |
| Basket Performance | 69.00% | \$330 |

For each of the 11 periods, the Basket Level was greater than or equal to Initial Basket Level. In this example, you would have received \$330 in interest payments over the term of the Notes. Additionally, because the Basket Performance is greater than or equal to zero, the Cash Settlement Value will equal:

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$$\begin{aligned}
 &= \text{Principal Amount of Notes} + (\text{Principal Amount of Notes} \times \text{Basket Performance}) \\
 &= \$1,000 + (\$1,000 \times 69\%) \\
 &= \$1,000 + \$690 \\
 &= \$1,690
 \end{aligned}$$

The total return on the Notes equals the Cash Settlement Value of \$1,690 plus interest payments of \$330 or \$2,020.

Example 2: The five Components underlying the Basket each remain relatively the same during the term of the Notes.

| Semi-Annual<br>Interest<br>Observation Date | Basket Performance<br>at the end of each<br>Period | Coupon, if<br>any,<br>per Note |
|---|--|--------------------------------|
| -----                                       |  |                                |
| July 2006                                   | 0.01%  | \$30                           |
| January 2007                                | 0.01%  | \$30                           |
| June 2007                                   | 0.01%  | \$30                           |
| January 2008                                | 0.01%  | \$30                           |
| July 2008                                   | 0.01%  | \$30                           |
| January 2009                                | 0.01%  | \$30                           |

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|                    |       |       |
|--------------------|-------|-------|
| July 2009          | 0.01% | \$30  |
| January 2010       | 0.01% | \$30  |
| July 2010          | 0.01% | \$30  |
| January 2011       | 0.01% | \$30  |
| July 2011          | 0.01% | \$30  |
| -----              |       |       |
| Basket Performance | 0.01% | \$330 |

For each of the 11 periods, the Basket Level was greater than or equal to Initial Basket Level. In this example, you would have received \$330 in interest payments over the term of the Notes. Additionally, because the Basket Performance is greater than or equal to zero, the Cash Settlement Value will equal:

$$\begin{aligned}
 &= \text{Principal Amount of Notes} + (\text{Principal Amount of Notes} \times \text{Basket Performance}) \\
 &= \$1,000 + (\$1,000 \times .01\%) \\
 &= \$1,000 + \$0.10 \\
 &= \$1,000.10
 \end{aligned}$$

The total return on the Notes equals the Cash Settlement Value of \$1,000.10 plus interest payments of \$330 or \$1,330.10.

Example 3: The five Components underlying the Basket each trade in a volatile and choppy manner and then decrease substantially during the last two years of the term of the Notes.

| Semi-Annual<br>Interest<br>Observation<br>Date for | Basket Performance<br>at the end of each<br>Period | Coupon, if<br>any,<br>per Note |
|--|--|--------------------------------|
| -----  |  |                                |
| July 2006  | 36.00%   | \$30                           |
| January 2007                                       | 45.00%   | \$30                           |
| June 2007  | 16.00%   | \$30                           |
| January 2008                                       | 25.00%   | \$30                           |
| July 2008  | 5.00%  | \$30                           |
| January 2009                                       | 3.00%  | \$30                           |
| July 2009  | -10.00%  | \$0                            |
| -----  |  |                                |
| January 2010                                       | -12.00%  | \$0                            |
| July 2010  | -22.00%  | \$0                            |

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|                    |         |       |
|--------------------|---------|-------|
| January 2011       | -40.00% | \$0   |
| July 2011          | -25.00% | \$0   |
| -----              |         |       |
| Basket Performance | -25.00% | \$180 |

For the first six periods, the Basket Level was greater than or equal to Initial Basket Level. In this example, you would have received \$180 in interest payments over the term of the Notes. However, because the Basket Performance is less than zero, the Cash Settlement Value will equal \$1,000. The total return on the Notes equals the Cash Settlement Value of \$1,000 plus interest payments of \$180 or \$1,180.

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HISTORICAL ANALYSIS  
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Below is a table illustrating, hypothetically, how the Note would have performed over the most recent 5.5-year period ending December 30, 2005. The table assumes a periodic contingent Coupon rate of 3.00% for each semi-annual period. The Note would have matured at 204.25%, or \$2,042.50 per Note in addition to a total of 21% in aggregate coupon payments during the term of the Note. The total return was 125.25% or a CAGR of 15.91%. Please be aware that past performance is no indication of future performance.

| Observation Date | Crude Oil | Gold   | Natural Gas | Aluminum | Copper  | Basket Level |
|------------------|-----------|--------|-------------|----------|---------|--------------|
| 6/30/2000        | 32.50     | 288.15 | 4.476       | 1,564.0  | 1,773.5 | 100.00       |
| 12/29/2000       | 26.80     | 274.45 | 9.775       | 1,560.0  | 1,808.5 | 119.56       |
| 6/29/2001        | 26.25     | 270.60 | 3.096       | 1,437.0  | 1,550.5 | 84.63        |
| 12/31/2001       | 19.84     | 276.50 | 2.570       | 1,335.0  | 1,462.0 | 76.44        |
| 6/28/2002        | 26.86     | 318.50 | 3.245       | 1,364.5  | 1,654.0 | 89.24        |
| 12/31/2002       | 31.20     | 347.20 | 4.789       | 1,344.5  | 1,536.0 | 99.21        |
| 6/30/2003        | 30.19     | 346.00 | 5.411       | 1,389.0  | 1,644.0 | 103.07       |
| 12/31/2003       | 32.52     | 416.25 | 6.189       | 1,592.5  | 2,321.0 | 123.10       |
| 6/30/2004        | 37.05     | 395.80 | 6.155       | 1,698.5  | 2,664.5 | 129.54       |
| 12/31/2004       | 43.45     | 435.60 | 6.149       | 1,964.0  | 3,279.5 | 146.55       |
| 6/30/2005        | 56.50     | 437.10 | 6.981       | 1,716.0  | 3,597.0 | 158.81       |
| 12/30/2005       | 61.04     | 513.00 | 11.225      | 2,285.0  | 4,584.5 | 204.25       |

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Value of Note at Maturity

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Total of Coupons Paid

-----  
Total Return of Note

The table below depicts historical returns on the Basket that were less robust. For the 5.5 year period ending May 31, 2002, the Note would have matured at

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100.00%, or \$1,000 per Note in addition to one coupon payment of 3% during the term of the Note. The total return was 103.00% or a CAGR of 0.54%. Please be aware that past performance is no indication of future performance.

| Observation Date       | Crude Oil | Gold   | Natural Gas | Aluminum | Copper  | Basket Level |
|------------------------|-----------|--------|-------------|----------|---------|--------------|
| 11/29/1996             | 23.75     | 371.30 | 3.497       | 1,514.5  | 2,497.0 | 100.00       |
| 5/30/1997              | 20.88     | 345.60 | 2.239       | 1,603.0  | 2,605.0 | 91.04        |
| 11/28/1997             | 19.15     | 296.80 | 2.578       | 1,583.5  | 1,861.0 | 82.67        |
| 5/29/1998              | 15.20     | 293.60 | 2.170       | 1,342.0  | 1,685.0 | 72.24        |
| 11/30/1998             | 11.22     | 294.70 | 1.976       | 1,298.5  | 1,557.5 | 66.25        |
| 5/31/1999              | 16.84     | 268.60 | 2.358       | 1,239.0  | 1,357.0 | 69.37        |
| 11/30/1999             | 24.59     | 291.35 | 2.304       | 1,515.5  | 1,744.5 | 83.56        |
| 5/31/2000              | 29.01     | 272.25 | 4.356       | 1,440.0  | 1,735.5 | 96.92        |
| 11/30/2000             | 33.82     | 269.10 | 6.589       | 1,498.0  | 1,814.5 | 114.97       |
| 5/31/2001              | 28.37     | 267.50 | 3.914       | 1,499.5  | 1,666.0 | 93.83        |
| 11/30/2001             | 19.44     | 275.50 | 2.701       | 1,430.0  | 1,532.0 | 77.81        |
| 5/31/2002              | 25.31     | 326.60 | 3.217       | 1,371.5  | 1,629.0 | 88.46        |
| Value of Note at Matur |           |        |             |          |         |              |
| Total of Coupons P     |           |        |             |          |         |              |
| Total Return of N      |           |        |             |          |         |              |

The Chart below tracks the performance of each Component in the Basket and the Basket itself since January 31, 1995 through December 30, 2005.

[The following data is represented by a single graph containing 6 line charts in the printed material.]

| Date       | Crude Oil | Gold    | Natural Gas | Aluminum | Copper  | Basket  |
|------------|-----------|---------|-------------|----------|---------|---------|
| 1/31/1995  | 100.000   | 100.000 | 100.000     | 100.000  | 100.000 | 100.000 |
| 2/28/1995  | 100.544   | 100.400 | 109.527     | 84.579   | 95.447  | 98.099  |
| 3/31/1995  | 104.241   | 104.561 | 124.446     | 88.553   | 99.600  | 104.280 |
| 4/28/1995  | 110.821   | 103.961 | 122.747     | 87.890   | 94.430  | 103.970 |
| 5/31/1995  | 102.719   | 102.507 | 126.883     | 85.525   | 95.097  | 102.546 |
| 6/30/1995  | 94.617    | 103.241 | 112.999     | 85.241   | 103.169 | 99.853  |
| 7/31/1995  | 95.487    | 102.254 | 119.202     | 88.505   | 100.233 | 101.136 |
| 8/31/1995  | 97.009    | 101.987 | 129.099     | 85.123   | 98.399  | 102.323 |
| 9/29/1995  | 95.378    | 102.427 | 129.247     | 83.113   | 98.199  | 101.673 |
| 10/31/1995 | 95.922    | 102.067 | 137.814     | 77.767   | 94.463  | 101.607 |
| 11/30/1995 | 98.858    | 103.441 | 149.040     | 77.980   | 97.398  | 105.343 |
| 12/29/1995 | 106.308   | 103.228 | 193.427     | 79.234   | 93.296  | 115.098 |
| 1/31/1996  | 96.465    | 108.176 | 196.307     | 73.936   | 85.757  | 112.128 |
| 2/29/1996  | 106.253   | 106.868 | 165.140     | 74.314   | 84.456  | 107.407 |
| 3/29/1996  | 116.748   | 105.722 | 172.526     | 77.342   | 84.973  | 111.462 |
| 4/30/1996  | 115.280   | 104.374 | 164.254     | 75.922   | 90.260  | 110.018 |
| 5/31/1996  | 107.450   | 104.174 | 177.696     | 73.723   | 84.857  | 109.580 |
| 6/28/1996  | 113.757   | 101.894 | 214.993     | 69.584   | 65.377  | 113.121 |
| 7/31/1996  | 111.039   | 102.774 | 159.749     | 70.766   | 68.012  | 102.468 |
| 8/30/1996  | 120.990   | 103.081 | 137.297     | 69.253   | 67.712  | 99.666  |
| 9/30/1996  | 132.572   | 101.094 | 163.516     | 64.096   | 64.643  | 105.184 |

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|            |         |         |         |        |        |         |
|------------|---------|---------|---------|--------|--------|---------|
| 10/31/1996 | 126.971 | 101.227 | 201.477 | 66.982 | 66.995 | 112.730 |
| 11/29/1996 | 129.146 | 99.040  | 258.272 | 71.641 | 83.289 | 128.278 |
| 12/31/1996 | 140.946 | 98.493  | 203.619 | 71.689 | 73.966 | 117.743 |
| 1/31/1997  | 131.321 | 92.158  | 176.145 | 75.284 | 79.520 | 110.886 |
| 2/28/1997  | 110.386 | 95.652  | 134.490 | 76.845 | 80.854 | 99.645  |
| 3/31/1997  | 110.984 | 92.865  | 142.245 | 75.993 | 80.454 | 100.508 |
| 4/30/1997  | 109.897 | 90.731  | 161.300 | 76.183 | 80.520 | 103.726 |
| 5/30/1997  | 113.540 | 92.185  | 165.362 | 75.828 | 86.891 | 106.761 |
| 6/30/1997  | 107.667 | 89.237  | 157.976 | 73.841 | 86.241 | 102.993 |
| 7/31/1997  | 109.516 | 87.050  | 160.783 | 79.494 | 77.718 | 102.912 |
| 8/29/1997  | 106.634 | 86.783  | 200.443 | 76.112 | 71.714 | 108.337 |
| 9/30/1997  | 115.171 | 88.584  | 227.622 | 77.247 | 71.648 | 116.054 |
| 10/31/1997 | 114.628 | 83.062  | 262.334 | 75.875 | 66.644 | 120.509 |
| 11/28/1997 | 104.133 | 79.168  | 190.399 | 74.905 | 62.075 | 102.136 |
| 12/31/1997 | 95.922  | 77.407  | 167.208 | 72.635 | 57.505 | 94.135  |
| 1/30/1998  | 93.583  | 81.315  | 166.691 | 71.665 | 58.039 | 94.259  |
| 2/27/1998  | 83.959  | 79.328  | 171.418 | 68.212 | 56.037 | 91.791  |
| 3/31/1998  | 84.883  | 80.288  | 186.263 | 67.313 | 58.205 | 95.391  |
| 4/30/1998  | 83.687  | 82.875  | 164.032 | 67.502 | 61.791 | 91.978  |
| 5/29/1998  | 82.654  | 78.314  | 160.266 | 63.482 | 56.204 | 88.184  |
| 6/30/1998  | 77.107  | 79.034  | 182.349 | 60.785 | 54.003 | 90.656  |
| 7/31/1998  | 77.270  | 77.047  | 136.189 | 63.221 | 56.604 | 82.066  |
| 8/31/1998  | 72.539  | 72.926  | 129.394 | 63.198 | 55.270 | 78.666  |
| 9/30/1998  | 87.765  | 78.381  | 179.690 | 62.252 | 54.520 | 92.521  |
| 10/30/1998 | 78.412  | 77.967  | 168.021 | 61.235 | 52.168 | 87.561  |
| 11/30/1998 | 61.011  | 78.608  | 145.938 | 61.424 | 51.951 | 79.786  |
| 12/31/1998 | 65.525  | 76.767  | 143.648 | 58.562 | 48.566 | 78.614  |
| 1/29/1999  | 69.331  | 76.127  | 131.241 | 56.481 | 46.664 | 75.969  |
| 2/26/1999  | 66.721  | 76.567  | 120.236 | 55.724 | 46.047 | 73.059  |
| 3/31/1999  | 91.136  | 74.540  | 148.671 | 57.261 | 45.747 | 83.471  |
| 4/30/1999  | 101.468 | 76.447  | 166.396 | 63.813 | 52.302 | 92.085  |
| 5/31/1999  | 91.572  | 71.646  | 174.151 | 58.609 | 45.264 | 88.248  |
| 6/30/1999  | 104.894 | 69.619  | 176.809 | 64.688 | 51.234 | 93.449  |
| 7/30/1999  | 111.637 | 68.178  | 187.814 | 65.397 | 53.336 | 97.272  |
| 8/31/1999  | 120.228 | 67.965  | 208.641 | 68.709 | 55.103 | 104.129 |
| 9/30/1999  | 133.279 | 79.755  | 202.659 | 70.009 | 58.639 | 108.868 |
| 10/29/1999 | 118.271 | 79.781  | 218.685 | 69.749 | 58.439 | 108.985 |
| 11/30/1999 | 133.714 | 77.714  | 170.162 | 71.689 | 58.189 | 102.294 |
| 12/31/1999 | 139.206 | 77.421  | 172.009 | 77.129 | 61.574 | 105.468 |
| 1/31/2000  | 150.299 | 75.567  | 196.603 | 81.126 | 60.440 | 112.807 |
| 2/29/2000  | 165.470 | 78.328  | 203.914 | 75.520 | 57.572 | 116.161 |
| 3/31/2000  | 146.275 | 73.820  | 217.504 | 72.044 | 57.655 | 113.459 |
| 4/28/2000  | 139.967 | 73.366  | 231.979 | 68.827 | 57.205 | 114.269 |
| 5/31/2000  | 157.749 | 72.619  | 321.713 | 68.117 | 57.889 | 135.617 |
| 6/30/2000  | 176.726 | 76.860  | 330.576 | 73.983 | 59.156 | 143.460 |
| 7/31/2000  | 149.157 | 73.820  | 278.730 | 72.990 | 61.691 | 127.277 |
| 8/31/2000  | 180.098 | 73.886  | 353.176 | 74.645 | 63.376 | 149.036 |
| 9/29/2000  | 167.700 | 72.993  | 383.013 | 74.693 | 65.977 | 152.875 |
| 10/31/2000 | 177.814 | 70.552  | 331.610 | 69.489 | 61.341 | 142.161 |
| 11/30/2000 | 183.904 | 71.779  | 486.632 | 70.861 | 60.524 | 174.740 |
| 12/29/2000 | 145.731 | 73.206  | 721.935 | 73.794 | 60.324 | 214.998 |
| 1/31/2001  | 155.846 | 70.552  | 421.492 | 82.167 | 60.223 | 158.056 |
| 2/28/2001  | 148.940 | 71.139  | 386.706 | 73.463 | 57.972 | 147.644 |
| 3/30/2001  | 142.958 | 68.738  | 371.123 | 69.489 | 55.570 | 141.576 |
| 4/30/2001  | 154.758 | 70.192  | 346.750 | 72.777 | 55.370 | 139.969 |
| 5/31/2001  | 154.269 | 71.352  | 289.069 | 70.932 | 55.570 | 128.239 |
| 6/29/2001  | 142.741 | 72.179  | 228.656 | 67.975 | 51.718 | 112.654 |
| 7/31/2001  | 143.284 | 70.926  | 243.427 | 65.184 | 48.999 | 114.364 |
| 8/31/2001  | 147.906 | 72.819  | 175.775 | 65.137 | 49.199 | 102.168 |
| 9/28/2001  | 127.406 | 78.181  | 165.731 | 62.417 | 47.498 | 96.247  |
| 10/31/2001 | 115.171 | 74.353  | 243.058 | 59.934 | 45.380 | 107.579 |
| 11/30/2001 | 105.710 | 73.486  | 199.483 | 67.644 | 51.101 | 99.485  |



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|            |         |         |           |         |         |         |
|------------|---------|---------|-----------|---------|---------|---------|
| 12/31/2001 | 107.885 | 73.753  | 189.808   | 63.150  | 48.766  | 96.672  |
| 1/31/2002  | 105.927 | 75.300  | 157.903   | 64.096  | 50.534  | 90.752  |
| 2/28/2002  | 118.216 | 79.181  | 174.077   | 65.894  | 51.334  | 97.741  |
| 3/29/2002  | 143.067 | 80.395  | 242.467   | 65.563  | 54.136  | 117.125 |
| 4/30/2002  | 148.396 | 82.209  | 280.281   | 65.066  | 53.319  | 125.854 |
| 5/31/2002  | 137.629 | 87.117  | 237.592   | 64.877  | 54.336  | 116.310 |
| 6/28/2002  | 146.058 | 84.956  | 239.660   | 64.546  | 55.170  | 118.078 |
| 7/31/2002  | 146.928 | 81.262  | 218.168   | 61.968  | 50.384  | 111.742 |
| 8/30/2002  | 157.586 | 83.436  | 243.427   | 61.187  | 50.033  | 119.134 |
| 9/30/2002  | 165.579 | 86.343  | 305.613   | 60.572  | 47.849  | 133.191 |
| 10/31/2002 | 148.015 | 84.529  | 306.942   | 63.269  | 51.234  | 130.798 |
| 11/29/2002 | 146.221 | 85.103  | 310.192   | 65.184  | 54.236  | 132.187 |
| 12/31/2002 | 169.657 | 92.611  | 353.693   | 63.600  | 51.234  | 146.159 |
| 1/31/2003  | 182.219 | 98.026  | 413.959   | 67.502  | 57.155  | 163.772 |
| 2/28/2003  | 199.021 | 92.678  | 598.301   | 69.016  | 57.238  | 203.251 |
| 3/31/2003  | 168.787 | 89.317  | 373.708   | 63.860  | 52.952  | 149.725 |
| 4/30/2003  | 140.294 | 89.824  | 397.710   | 64.167  | 53.502  | 149.100 |
| 5/30/2003  | 160.740 | 96.399  | 461.669   | 67.408  | 56.137  | 168.471 |
| 6/30/2003  | 164.165 | 92.291  | 399.631   | 65.705  | 54.837  | 155.326 |
| 7/31/2003  | 166.069 | 94.625  | 348.449   | 69.536  | 59.006  | 147.537 |
| 8/29/2003  | 171.669 | 100.187 | 349.409   | 67.739  | 58.239  | 149.449 |
| 9/30/2003  | 158.782 | 103.494 | 356.721   | 66.580  | 59.840  | 149.083 |
| 10/31/2003 | 158.293 | 103.027 | 361.374   | 71.902  | 68.612  | 152.642 |
| 11/28/2003 | 165.362 | 106.255 | 363.737   | 72.517  | 69.163  | 155.407 |
| 12/31/2003 | 176.835 | 111.030 | 457.090   | 75.331  | 77.418  | 179.541 |
| 1/30/2004  | 179.717 | 106.628 | 398.597   | 77.271  | 83.022  | 169.047 |
| 2/27/2004  | 196.629 | 105.588 | 400.000   | 80.511  | 99.633  | 176.472 |
| 3/31/2004  | 194.454 | 113.017 | 438.183   | 79.872  | 102.318 | 185.569 |
| 4/30/2004  | 203.263 | 103.628 | 432.939   | 78.217  | 91.795  | 181.968 |
| 5/31/2004  | 216.857 | 104.895 | 475.775   | 78.548  | 94.413  | 194.098 |
| 6/30/2004  | 201.468 | 105.575 | 454.579   | 80.345  | 88.876  | 186.169 |
| 7/30/2004  | 238.173 | 104.401 | 451.403   | 79.801  | 96.731  | 194.102 |
| 8/31/2004  | 229.038 | 108.629 | 374.742   | 79.872  | 94.963  | 177.449 |
| 9/30/2004  | 269.929 | 110.870 | 501.846   | 86.235  | 104.736 | 214.723 |
| 10/29/2004 | 281.457 | 113.510 | 644.387   | 87.039  | 98.432  | 244.965 |
| 11/30/2004 | 267.156 | 120.939 | 562.777   | 87.677  | 108.806 | 229.471 |
| 12/31/2004 | 236.270 | 116.191 | 454.136   | 92.904  | 109.390 | 201.778 |
| 1/31/2005  | 262.099 | 112.603 | 466.839   | 88.269  | 109.256 | 207.813 |
| 2/28/2005  | 281.403 | 116.151 | 497.046   | 91.509  | 113.576 | 219.937 |
| 3/31/2005  | 301.251 | 114.030 | 565.214   | 93.330  | 113.676 | 237.500 |
| 4/29/2005  | 270.364 | 116.218 | 486.337   | 85.454  | 111.691 | 214.013 |
| 5/31/2005  | 282.599 | 110.549 | 471.123   | 81.197  | 107.205 | 210.535 |
| 6/30/2005  | 307.232 | 116.591 | 515.583   | 81.173  | 119.980 | 228.112 |
| 7/29/2005  | 329.364 | 114.431 | 582.349   | 87.110  | 125.917 | 247.834 |
| 8/31/2005  | 374.878 | 115.564 | 847.267   | 87.938  | 130.587 | 311.247 |
| 9/30/2005  | 360.196 | 126.234 | 1,028.139 | 87.843  | 131.721 | 346.826 |
| 10/31/2005 | 324.959 | 125.567 | 901.403   | 94.229  | 136.458 | 316.523 |
| 11/30/2005 | 311.691 | 132.209 | 929.616   | 102.152 | 146.915 | 324.517 |
| 12/30/2005 | 331.920 | 136.836 | 829.025   | 108.089 | 152.919 | 311.758 |

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### SELECTED RISK CONSIDERATIONS

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- o Suitability of Note for Investment - A person should reach a decision to invest in the Notes after carefully considering, with his or her advisors, the suitability of the Notes in light of investment objectives and the

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information set out in the Pricing Supplement. Neither the Issuer nor any dealer participating in the offering makes any recommendation as to the suitability of the Notes for investment.

- o Principal Protected only if held to Maturity - If you sell the Note in the secondary market (see Secondary Market below) prior to Maturity, you may receive less, and possibly significantly less, than the amount you originally invested.
- o You May Not Receive Any Interest Payments - During the term of the Notes, if, on any Semi-Annual Interest Observation Date, the Basket Level is less than or equal to the Initial Basket Level, you will not receive any interest for the immediately preceding six-month period.
- o Secondary Market - Because the Notes will not be listed on any Securities exchange, a secondary trading market is not expected to develop, and, if such a market were to develop, it may not be liquid. Bear, Stearns & Co. Inc. intends under ordinary market conditions to indicate prices for the Notes on request. However, there can be no guarantee that bids for outstanding Notes will be made in the future; nor can the prices of those bids be predicted.
- o Value at Maturity May Be Limited to the Principal Amount of the Note - The Basket Performance at maturity may be negative, in which case the amount you will receive at maturity will be limited to the amount you invested in the Notes, even if the value of the Basket has increased at certain times during the term of the Note before falling on the Calculation Date.
- o Discontinuation of Component - If the relevant exchange for a Component or successor Component ceases or otherwise fails to publish the prices for such Component or discontinues trading in such Component, or some other extraordinary circumstance occurs, Bear, Stearns & Co. Inc., as Calculation Agent, will determine the Individual Component Level for such Component and may in its sole discretion accelerate the Maturity Date of the Notes, which may adversely affect the trading value of the Notes. The Calculation Agent will have no responsibility for good faith errors or omissions in its calculations.
- o Taxes - For U.S. federal income tax purposes, the Issuer intends to treat the Notes as contingent payment debt instruments. As a result, U.S. Holders of the Notes will be required to include original issue discount in income during their ownership of the Notes even though no cash payments may be made with respect to the Notes until maturity. Additionally, U.S. Holders of Notes will generally be required to recognize ordinary interest income on the gain, if any, realized on a sale, upon maturity, or other disposition of the Notes.