

BEAR STEARNS COMPANIES INC
Form 424B5
February 24, 2004

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Prospectus

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

Subject to completion, dated February 24, 2004

PRICING SUPPLEMENT

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

[\$ _____]

The Bear Stearns Companies Inc.

Medium-Term Notes, Series B

**Principal Protected Notes Linked to the
Dow Jones Industrial AverageSM Due March [], 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 [], 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 [] day of each month, beginning on April [], 2010 and ending on March [], 2011. We describe the method for calculating the index percentage change amount beginning on page PS-16.

We will apply to list the Notes on the American Stock Exchange LLC.

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-[] OF THIS PRICING SUPPLEMENT.

"Dow JonesSM" and "Dow Jones Industrial AverageSM" 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%	\$[]
Agent's discount	[]%	\$[]
Proceeds, before expenses, to us	[]%	\$[]

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 [], 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.

Bear, Stearns & Co. Inc.

[], 2004

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 [], 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 [] day of each month, beginning on April [], 2010 and ending on March [], 2011.

Selected Investment Considerations

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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 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 [] day of each month, beginning on April [], 2010 and ending on March [], 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 Subject to meeting certain listing criteria, we expect to list the Notes 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 Subject to meeting certain listing criteria, we expect to list the Notes on the AMEX. You should be aware that even if we successfully list the Notes on the AMEX, we cannot ensure that a secondary market in the Notes will develop and, if such a 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

Issuer:	The Bear Stearns Companies Inc.
Index:	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> .
Face amount:	Each Note will be issued in minimum denomination of \$1,000; \$[] in the aggregate for all the Notes being offered.
Payment amount:	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.
Index percentage change amount:	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.
Index average:	The arithmetic average of the closing levels of the Dow Jones Industrial Average on each observation date.
Observation dates:	The [] day of each month, subject to the next succeeding index business day convention, starting on April [], 2010 and ending on March [], 2011, subject to postponement because of a market disruption event. There will be a total of 12 observation dates.
Initial index level:	The closing level of the Dow Jones Industrial Average on March [], 2004.
Maturity date:	March [], 2011.
Interest:	The Notes will not bear interest.
Listing:	Subject to meeting certain listing criteria, we expect to list the Notes on the AMEX. No assurance can be provided that we will meet such listing criteria.

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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.

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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 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 mature on March [], 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.

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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.

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

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

The initial index level is [], the closing level of the Dow Jones Industrial Average on March [], 2004.

The index average will equal the arithmetic average of the closing levels of the Dow Jones Industrial Average on the [] day of each month, subject to the next succeeding index business day convention, starting on April [], 2010 and ending on March [], 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 January 30, 2004, the market capitalization of the stocks in the index ranged from approximately \$8.1 billion to \$338 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 January 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?

Subject to meeting certain listing criteria, we expect to list the Notes 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.

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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 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 [], 2010 through March [], 2011, it is possible for the index average to be lower than the initial index level even if the value of the

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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 January 30, 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.

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

Subject to meeting certain listing criteria, we expect to list the Notes on the AMEX. However, no assurance can be provided that we will meet such listing criteria. 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

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includes debt securities like the Notes. Under present New York law, the maximum rate of interest is 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.

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.

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 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 aggregate principal amount of the Notes will be \$[]. The Notes will mature on March [], 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.

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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

(index average - initial index level)

The initial index level is [], the closing level of the Dow Jones Industrial Average on March [], 2004.

The index average will equal the arithmetic average of the closing levels of the Dow Jones Industrial Average on the [] day of each month, subject to the next succeeding index business day convention, starting on April [], 2010 and ending on March [], 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 10,700.

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:

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 [], 2011, the final observation date.

Observation Date	Dow Jones Industrial Average Closing Level
April [], 2010	19,500
May [], 2010	19,783
June [], 2010	19,882
July [], 2010	19,603
August [], 2010	20,191
September [], 2010	20,411
October [], 2010	19,799
November [], 2010	20,591
December [], 2010	20,076
January [], 2011	20,568
February [], 2011	20,773
March [], 2011	21,189

index average = 20,197

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{(20,197 - 10,700)}{10,700} = \887.58

10,700

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).

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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 [], 2011, the final observation date.

Observation Date	Dow Jones Industrial Average Closing Level
March [], 2010	20,500
April [], 2010	20,193
May [], 2010	20,738
June [], 2010	20,375
July [], 2010	20,171
August [], 2010	20,070
September [], 2010	20,271
October [], 2010	20,068
November [], 2010	19,767
December [], 2010	20,410
January [], 2011	20,001
February [], 2011	19,801

index average = 20,197

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

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

$$= \$1,000 \times \frac{(20,197 - 10,700)}{10,700} = \$887.58$$

$$\text{Total Return} = 88.76\%$$

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

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

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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 [], 2011, the final observation date.

Observation Date	Dow Jones Industrial Average Closing Level
March [], 2010	9,000
April [], 2010	9,270
May [], 2010	9,641
June [], 2010	9,737
July [], 2010	9,932
August [], 2010	10,131
September [], 2010	10,435
October [], 2010	10,643
November [], 2010	10,696
December [], 2010	10,803
January [], 2011	11,019
February [], 2011	11,350

index average = 10,221

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

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

$$= \$1,000 \times \frac{(10,221 - 10,700)}{10,700} = -\$44.76$$

Since the index average is below the initial index level of 10,700, 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 [], 2011, the final observation date.

Observation Date	Dow Jones Industrial Average Closing Level
March [], 2010	9,000
April [], 2010	8,910
May [], 2010	9,088
June [], 2010	9,134
July [], 2010	8,997
August [], 2010	8,772
September [], 2010	8,838
October [], 2010	9,103
November [], 2010	8,648
December [], 2010	8,475
January [], 2011	8,602
February [], 2011	8,430

index average = 8,833

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

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

$$= \$1,000 \times \frac{(8,833 - 10,700)}{10,700} = -\$174.49$$

Since the index average is below the initial index level of 10,700, 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

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

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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.

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 February 23, 2004, the component companies of the Dow Jones Industrial Average were as follows:

3M Company
Alcoa Inc.
Altria Group, Inc.
American Express Company
AT&T Corp.
The Boeing Company
Caterpillar Inc.

The Home Depot, Inc.
Honeywell International Inc.
Intel Corporation
International Business Machines Corporation
International Paper Company
J.P. Morgan Chase & Co.
Johnson & Johnson

Citigroup Inc.
The Coca-Cola Company
E.I. du Pont de Nemours and Company
Eastman Kodak Company
Exxon Mobil Corporation
General Electric Company
General Motors Corporation
Hewlett-Packard Company

McDonald's Corporation
Merck & Co., Inc.
Microsoft Corporation
The Proctor & Gamble Company
SBC Communications Inc.
United Technologies Corporation
Wal-Mart Stores, Inc.
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 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 Indu