

BEAR STEARNS COMPANIES INC
Form 424B5
July 18, 2003

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-104455

PROSPECTUS SUPPLEMENT
(To Prospectus Dated April 24, 2003)

\$5,000,000

The Bear Stearns Companies Inc.

Accelerated Market Participation Securities (Linked to the S&P 500 Index) ("AMPS")

- The AMPS are unsecured obligations of The Bear Stearns Companies Inc.
- The AMPS are linked to the value of the S&P 500 Composite Price Index (the "Index") as described below.
- The AMPS will be automatically exercised on October 21, 2004, the expiration date. We will not make any payments on the AMPS prior to the expiration date.
- The AMPS will be issued in book-entry form.
- The AMPS have been approved for listing (subject to official notice of issuance) on the American Stock Exchange LLC under the trading symbol "BST.WS".
- The amount you receive upon exercise of the AMPS will be based upon the percentage change in the value of the Index. If the value of the Index has increased over the term of the AMPS, upon exercise you will receive a payment per AMPS based upon triple the percentage increase of the Index, not to exceed a maximum payment of \$5.75 (115% of the public offering price) per AMPS, as described in this prospectus supplement.
- If the value of the Index has decreased over the term of the AMPS, upon exercise you will receive a payment per AMPS based on that percentage decrease. As a result, you may receive less, and possibly significantly less, than the original public offering price of \$5 per AMPS.

INVESTMENT IN THE AMPS INVOLVES CERTAIN RISKS. THERE MAY NOT BE A SECONDARY MARKET IN THE AMPS, AND IF THERE WERE TO BE A SECONDARY MARKET, IT MAY NOT BE LIQUID. YOU SHOULD REFER TO "RISK FACTORS" BEGINNING ON PAGE S-7 OF THIS PROSPECTUS SUPPLEMENT.

"Standard & Poor's®", "S&P®", "S&P 500®", "Standard & Poor's 500", and "500" are trademarks of The McGraw-Hill Companies, Inc. and have been licensed for use by The Bear Stearns Companies Inc. The AMPS are not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of investing in the AMPS.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the AMPS or determined that this prospectus supplement, or the accompanying prospectus supplement and prospectus, is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Warrant	Total
Initial public offering price	\$5	\$5,000,000
Underwriting discount	1.5%	\$ 75,000
Proceeds, before expenses, to us	98.5%	\$4,925,000

We expect that the AMPS 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 July 23, 2003, against payment in immediately available funds. The distribution of the AMPS will conform to the requirements set forth in Rule 2720 of the NASD Conduct Rules.

After this offering is complete, the Underwriter may use this 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 Underwriter may act as principal or agent in these transactions.

Bear, Stearns & Co. Inc.

July 17, 2003

Offers and sales of the AMPS are subject to restrictions in certain jurisdictions. The distribution of this prospectus supplement and the accompanying prospectus and the offer or sale of the AMPS in certain other jurisdictions may be restricted by law. Persons who come into possession of this prospectus supplement and the accompanying prospectus or any AMPS must inform themselves about and observe any applicable restrictions on the distribution of this prospectus supplement and the accompanying prospectus and the offer and sale of the AMPS.

We accept responsibility for the information contained in this prospectus supplement and the accompanying prospectus. To the best of our knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this prospectus supplement and the accompanying prospectus is in accordance with the facts and does not omit anything likely to affect the import of the information.

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

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

CERTAIN DEFINITIONS

Unless otherwise stated in this prospectus supplement:

the "Company," "we," "us" and "our" refer to The Bear Stearns Companies Inc. and its subsidiaries;

"AMEX" refers to the American Stock Exchange LLC;

"Bear Stearns" refers to Bear, Stearns & Co. Inc.;

"BSB" refers to Bear Stearns Bank plc;

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"BSSC" refers to Bear, Stearns Securities Corp.;

"BSIL" refers to Bear, Stearns International Limited;

"NYSE" refers to the New York Stock Exchange, Inc.; and

"US dollars," "dollars," "US \$" and "\$" refer to the lawful currency of the United States of America.

Other capitalized terms that are used but not defined in this prospectus supplement shall have the meanings given to them in the prospectus.

Bear Stearns, BSB, BSSC and BSIL are subsidiaries of The Bear Stearns Companies Inc.

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SUMMARY INFORMATION QUESTIONS AND ANSWERS

What are the AMPS?

The AMPS will constitute direct, unconditional and unsecured obligations of the Company and will rank equally, without any preferences among themselves, with all our other existing and future unsecured and unsubordinated debt. Because we are a holding company, the AMPS will be effectively subordinated to the claims of creditors of our subsidiaries with respect to their assets.

At May 31, 2003:

we had outstanding (on an unconsolidated basis) approximately \$39.8 billion of debt and other obligations, including approximately \$36.7 billion of unsecured senior debt and \$2.5 billion of unsecured inter-company debt; and

our subsidiaries had outstanding (after elimination of inter-company items) approximately \$163.9 billion of debt and other obligations (including \$45.5 billion related to securities sold under repurchase agreements, \$60.7 billion related to payables to customers, \$29.2 billion related to financial instruments sold, but not yet purchased, and \$28.5 billion of other liabilities, including \$15.9 billion of debt).

Each AMPS shall represent the right to receive the Cash Settlement Value, as set forth below. The AMPS will be automatically exercised on the expiration date, October 21, 2004.

Each AMPS will have an original offering price of \$5.00. You will not have the right to receive physical certificates evidencing your ownership of the AMPS, except under limited circumstances. Instead, we will issue the AMPS in the form of a global certificate, which will be held by The Depository Trust Company ("DTC") or its nominee. Direct and indirect participants in DTC will record beneficial ownership of the AMPS by individual investors. You should refer to "Description of AMPS Book-Entry Warrants Registration, Transfer and Payments" as set forth below.

What Will I Receive Upon Exercise of the AMPS?

Upon exercise of the AMPS, for each AMPS you own, you will receive a payment equal to the "**Cash Settlement Value**". The Cash Settlement Value to which you will be entitled depends entirely on the relation of the Final Index Level to the Initial Index Level:

- (i) If the Final Index Level is greater than or equal to the Initial Index Level, the Cash Settlement Value per AMPS will equal:

provided, however, the Cash Settlement Value cannot exceed \$5.75 per AMPS (the "Capped Value").

(ii)

If the Final Index Level is less than the Initial Index Level, the Cash Settlement Value per AMPS will equal:

For purposes of this formula:

The "**Initial Index Level**" equals 981.73, the closing value of the Index on July 17, 2003, the date the AMPS were priced for initial sale to the public.

The "**Final Index Level**" will be determined by the calculation agent and will equal the closing value of the Index on October 18, 2004, the "valuation date".

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You should understand that the opportunity to participate in the possible increases in the value of the Index through an investment in the AMPS is limited because the amount that you receive upon exercise of the AMPS will never exceed the Capped Value, which represents an appreciation of 15% over the original public offering price of the AMPS. However, in the event that the value of the Index declines over the term of the AMPS, the amount you receive upon exercise of the AMPS will be proportionately less than the original public offering price and you may therefore lose a part or all of your initial investment in the AMPS.

For more specific information about the Cash Settlement Value and for illustrative examples, you should refer to "Description of the AMPS" in this prospectus supplement.

Will I Receive any Periodic Payments on the AMPS?

You will not receive any periodic payments on the AMPS, but will instead receive a Cash Settlement Value upon exercise of the AMPS. We have designed the AMPS for investors who are willing to forgo periodic market payments on the AMPS in exchange for the ability to participate in changes in the value of the Index over the term of the AMPS.

Will I Receive Dividends on the AMPS?

You will not receive any dividend payments on the AMPS nor will your return on the AMPS reflect the payment of dividends on the stocks underlying the Index.

What is the Index, and What Does it Measure?

Unless otherwise stated, all information on the Index that is provided in this prospectus supplement is derived from Standard & Poor's or other publicly available sources. The Index is published by Standard & Poor's, and is intended to provide an indication of the pattern of common stock price movement. The calculation of the value of the Index (discussed below in further detail) is based on the relative value of the aggregate market value of the common stocks of 500 companies as of a particular time, compared to the aggregate average market value of the common stocks of 500 similar companies during the base period of the years 1941 through 1943. As of June 30, 2003, the 500 companies included in the Index had an approximate aggregate market value of \$9.0 trillion and represented approximately 84.7% of the aggregate market value of common stocks traded on the NYSE.

Standard & Poor's chooses companies for inclusion in the Index with the aim of achieving a distribution by broad industry groupings that approximates the distribution of these groupings in the common stock population of the NYSE, which Standard & Poor's uses as an assumed model for the composition of the total market. Relevant criteria employed by Standard & Poor's include: the viability of the particular company, the extent to which that company represents the industry group to which it is assigned, the extent to which the market price of that company's

common stock is generally responsive to changes in the affairs of the respective industry, and the market value and trading activity of the common stock of that company. As of June 30, 2003, the 500 companies included in the Index were divided into the following ten sectors (with the number of companies included in each sector indicated in parentheses): Consumer Discretionary (86), Consumer Staples (37), Energy (23), Financials (82), Health Care (46), Industrials (60), Information Technology (83), Materials (34), Telecommunication Services (12) and Utilities (37). Standard & Poor's may from time to time, in its sole discretion, add companies to, or delete companies from, the Index to achieve the objectives stated above. For more information, please refer to "Description of the Index" in this prospectus supplement. Please note that an investment in the AMPS does not entitle you to any ownership or other interest in the stocks of the companies included in the Index.

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How has the Index Performed Historically?

We have provided a table showing the closing values of the Index on the last Index Business Day of each month from January 1997 to June 2003, and the closing values of the Index on the last Index Business Day of December from 1947 through 2002. You can find these tables in the section "Description of the Index Historical Data on the Index" in this prospectus supplement. We have provided this historical information to help you evaluate the behavior of the Index in various economic environments; however, past performance is not necessarily indicative of how the Index will perform in the future. You should refer to "Risk Factors The Historical Performance of the Index is not an Indication of the Future Performance of the Index" in this prospectus supplement.

Will the AMPS be Listed on a Securities Exchange?

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

What is the Role of Our Subsidiary, Bear Stearns?

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

Bear Stearns also will be our calculation agent for purposes of calculating the Cash Settlement Value, including making certain determinations and judgments in connection with calculating the Index values, or deciding whether a market disruption event has occurred. 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. However, 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 AMPS to restrict the use of information relating to the calculation of the Index values that the calculation agent may be required to make prior to the dissemination of such Index values. Bear Stearns is obligated to carry out its duties and functions as calculation agent in good faith, and using its reasonable judgment. You should refer to "Risk Factors The Calculation Agent is One of Our Affiliates, Which Could Result in a Conflict of Interest" in this prospectus supplement.

Can You Tell Me More About The Bear Stearns Companies Inc.?

We are a holding company that, through our subsidiaries, principally Bear Stearns, BSSC, BSIL and 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.

Who Should Consider Purchasing the AMPS?

Since the AMPS are tied to the results of an underlying equity index, they may be appropriate for investors with specific investment horizons who seek to participate in the potential price appreciation of

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the underlying stocks comprising the Index with risk limited to the cost of the AMPS they purchase. In particular, the AMPS may be an attractive investment for investors who:

have a moderately bullish view of the Index;

believe that the Index will not increase by more than 15% and are willing to take the risk that the Index may decrease in value; and

are willing to forgo dividend payments on the stocks underlying the Index in return for levered upside participation.

What are the U.S. Federal Income Tax Consequences of Investing in the AMPS?

The U.S. federal income tax consequences of an investment in the AMPS are complex and uncertain. By purchasing an AMPS, you will agree to treat the AMPS for all tax purposes as pre-paid cash-settled forward contracts linked to the value of the Index. Under this treatment of an AMPS, you should be required to recognize gain or loss to the extent that the cash you receive on the exercise date or upon a sale or exchange of an AMPS prior to the exercise date differs from your tax basis on the AMPS (which will generally be the amount you paid for the AMPS). You should review the discussion under the section entitled "Certain U.S. Federal Income Tax Considerations" in this prospectus supplement.

Does ERISA Impose any Limitations on Purchases of the AMPS?

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 AMPS only on the condition that such plan or entity makes the deemed representation that its purchase, holding and disposition of the AMPS 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 AMPS are subject to a number of risks. You should refer to "Risk Factors" in this prospectus supplement.

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RISK FACTORS

Your investment in the AMPS involves a degree of risk similar to investing in the Index. Prospective purchasers of the AMPS should recognize the possibility of a substantial loss with respect to their investment in the AMPS. Prospective purchasers of the AMPS should understand the risks of transactions in equity-indexed instruments and should reach an investment decision only after careful consideration, with their advisers, of the suitability of the AMPS in light of their particular financial circumstances, the following risk factors and the other information set forth in this prospectus supplement and the accompanying prospectus.

You may not Earn a Return on Your Investment

We will not repay you a fixed amount of principal on the AMPS upon the exercise of such AMPS. The payment upon exercise of the AMPS will depend on the change in the value of the Index. Because the value of the Index is subject to market fluctuations, the amount of cash you receive upon the exercise of the AMPS may be more or less than the original public offering price of the AMPS. If the Final Index Level is less than the Initial Index Level, the Cash Settlement Value will be less than the original public offering price of each AMPS, in which case your investment in the AMPS will result in a loss to you. Additionally, although any positive return on the AMPS is based on triple the amount of the percentage increase in the Index, in no event will the amount you receive upon exercise be greater than the Capped Value.

Your Return is Limited and will not Reflect the Return of Owning the Stocks Included in the Index

You should understand that the opportunity to participate in the possible increases in the value of the Index through an investment in the AMPS is limited because the amount that you receive upon exercise of the AMPS will never exceed the Capped Value, which represents an appreciation of 15% over the original public offering price of the AMPS. However, in the event that the value of the Index declines over the term of the AMPS, you will realize the entire decline and will lose a part or all of your initial investment.

In addition, your return will not reflect the return you would realize if you actually owned the stocks underlying the Index and received the dividends paid on those stocks because the value of the Index is calculated by reference to the prices of the common stocks included in the Index without taking into consideration the value of dividends paid on those stocks.

You will not Receive any Periodic Payments on the AMPS

You will not receive any periodic payments on the AMPS, but will instead receive the Cash Settlement Amount upon exercise of the AMPS. We have designed the AMPS for investors who are willing to forgo periodic market payments on the AMPS in exchange for the ability to participate in changes in the value of the Index over the term of the AMPS.

Because the Treatment of the AMPS is Uncertain, the Material U.S. Federal Income Tax Consequences of an Investment in the AMPS are Uncertain

You should consider the tax consequences of investing in the AMPS, aspects of which are uncertain. There is no direct legal authority as to the proper tax treatment of the AMPS, and therefore significant aspects of the tax treatment of the AMPS are uncertain. In particular, it is possible that you will be required to recognize income for U.S. federal tax purposes with respect to the AMPS prior to the sale, exchange or exercise of the AMPS; and it is possible that any gain or income recognized with respect to the AMPS will be treated as ordinary income rather than capital gain. Please read carefully the section entitled "Certain U.S. Federal Income Tax Considerations" in this prospectus supplement.

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Your Return on the AMPS will not Reflect Dividends on the Stocks of the Index

The Index does not reflect the payment of dividends on the stocks underlying it. Therefore, the return based on the Index to the expiration of the AMPS will not produce the same return as if you had purchased such underlying stocks and held them for a similar period because Standard & Poor's calculates the Index by reference to the prices of stocks comprising the Index without taking into consideration the value of any dividends paid on those stocks. You should refer to "Description of the AMPS" below.

The Historical Performance of the Index is not an Indication of the Future Performance of the Index

The historical performance of the Index, which is included in this prospectus supplement, should not be taken as an indication of the future performance of the Index. While the trading prices of the underlying stocks of the Index will determine the value of the Index, it is impossible to predict whether the value of the Index will fall or rise. Trading prices of the underlying stocks of the Index 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, if any, at Which You will be able to Trade Your AMPS Prior to the Expiration Date of such AMPS will Depend on a Number of Factors, and may be Substantially Less Than You had Originally Invested

We believe that the value of your AMPS will be affected by the supply of and demand for the AMPS, the value of the Index, 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 AMPS prior to exercise may be substantially less than the amount you originally invested if, at such time, the value of the Index is less than, equal to or not sufficiently above the value of the Index when you purchased the AMPS. The following paragraphs describe what we expect to be the impact on the market value of the AMPS with a change in a specific factor, assuming all other conditions remain constant.

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Value of the Index. We expect that the market value of the AMPS will likely depend substantially on the amount, if any, by which the value of the Index exceeds or does not exceed the Initial Index Level. If you choose to sell your AMPS when the value of the Index exceeds the Initial Index Level, you may receive substantially less than the amount that would have been payable upon exercise based on this value because of the expectation that the Index will continue to fluctuate between such time, and the time when the reference Final Index Level is determined. If you choose to sell your AMPS when the value of the index is below the Initial Index Level, you may receive less than your initial principal investment. In addition, the payment at expiration on the AMPS will not exceed the Capped Value, therefore we do not expect the AMPS will trade in the secondary market above the Capped Value.

Volatility of the Index. Volatility is the term used to describe the size and frequency of market fluctuations. If the volatility of the Index increases or decreases, the trading value of the AMPS may be adversely affected. The effect of the volatility of the Index on the market value of the AMPS will likely decrease over time during the term of the AMPS.

Interest rates. We expect that the market value of the AMPS will be affected by changes in U.S. interest rates. In general, if U.S. interest rates increase, the value of the AMPS may decrease, and if U.S. interest rates decrease, the value of the AMPS may increase. Interest rates may also affect the economy and, in turn, the value of the Index, which (for the reasons discussed above) would affect the value of the AMPS. Rising interest rates may lower the value of the Index and,

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thus, the value of the AMPS. Falling interest rates may increase the value of the Index and, thus, the value of the AMPS.

Dividend Yields. If dividend yields on the underlying stocks comprising the Index increase, the trading value of the AMPS may be adversely affected since the Index does not incorporate the value of dividend payments. Conversely, if dividend yields on the stocks comprising the Index decrease, the trading value of the AMPS may be favorably affected.

Time remaining to expiration. As the time remaining prior to exercise of the AMPS decreases, the "time premium" associated with the AMPS will decrease. The "time premium" results from expectations concerning the value of the Index during the period prior to the exercise of the AMPS. However, as the time remaining prior to exercise of the AMPS decreases, this time premium may decrease, decreasing the market value of the AMPS.

Events involving the companies comprising the Index. General economic conditions and earnings results of the companies whose common stocks comprise the Index, and real or anticipated changes in those conditions or results, may affect the market value of the AMPS. In addition, if the dividend yields on those common stocks increase, the value of the AMPS may be adversely affected, because the Index does not incorporate the value of dividend payments. Conversely, if dividend yields on the common stocks decrease, the value of the AMPS may be favorably affected.

Size and liquidity of the trading market. Although the AMPS have been approved for listing (subject to official notice of issuance) on the AMEX, there may not be a secondary market in the AMPS. If a trading market does develop, there can be no assurance that there will be liquidity in the trading market. The development of a trading market for the AMPS will depend on our financial performance and other factors such as the increase, if any, in the value of the Index. If the trading market for the AMPS is limited, there may be a limited number of buyers for your AMPS if you do not wish to hold your investment until expiration. This may affect the price you receive.

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 AMPS attributable to another factor, such as an increase in the value of the Index.

Your Return on the AMPS is Dependent Upon the Company's Credit Ratings, Financial Condition and Results of Operations

Actual or anticipated changes in our credit ratings, financial condition or results of operations may significantly affect your ability to trade out of the AMPS prior to expiration, or the value of the AMPS, if you hold them until expiration.

There may be no Secondary Market for the AMPS

Although the AMPS have been approved for listing (subject to official notice of issuance) on the AMEX, there may not be a secondary market in the AMPS and, if there were to be a secondary market, it may not be liquid. Accordingly, the liquidity of the AMPS may be limited and, under certain circumstances, nonexistent. However, Bear Stearns intends under ordinary market conditions to indicate prices in the AMPS 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 AMPS, the general level of interest rates, the current level of the Index and the cost to us of unwinding any related hedging activity or any funding arrangement.

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Purchases and Sales by Us and Our Affiliates may Affect Your Return

We and our affiliates may from time to time buy or sell the stocks underlying the Index or futures or options contracts on the Index for our own accounts for business reasons and expect to enter into these transactions in connection with hedging our obligations under the AMPS. These transactions could affect the price of these stocks and, in turn, the value of the Index in a manner that could be adverse to your investment in the AMPS.

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 values, or deciding whether a market disruption event has occurred. You should refer to "Description of the AMPS Discontinuance of the Index" and " Adjustments to the Index" and " Market Disruption Events" below. 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 AMPS to restrict the use of information relating to the calculation of the Index values that the calculation agent may be required to make prior to the dissemination of such Index values. 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 Index 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 Index. BSIL, an affiliate of Bear Stearns, will also be the counterparty to the hedge of our obligations under the AMPS. You should refer to "Use of Proceeds and Hedging" below. Accordingly, under certain circumstances, conflicts of interest may arise between Bear Stearns' responsibilities as calculation agent with respect to the AMPS and BSIL's obligations under our hedge.

The Policies of the Index Sponsor and Changes that Affect the Index or the Index Stocks Could Affect the Amount Payable on Your AMPS and its Market Value

The policies of the Index sponsor concerning the calculation of the Index level, additions, deletions or substitutions of Index stocks and the manner in which changes affecting the Index stocks or their issuers, such as stock dividends, reorganizations or mergers, are reflected in the Index level could affect the Index level and, therefore, the amount payable on your AMPS on the stated expiration date and the market value of your AMPS before that date. The amount payable on your AMPS and its market value could also be affected if the Index sponsor changes these policies, for example, by changing the manner in which it calculates the Index level, or if the Index sponsor discontinues or suspends calculation or publication of the Index level, in which case it may become difficult to determine the market value of your AMPS.

There is no Affiliation Between Us and the Index Stock Issuers, and We are not Responsible for any Disclosure by the Index Stock Issuers

The Company is traded on the NYSE and is one of the 500 companies that comprise the Index. Other than as set forth above, the Company is not affiliated with the issuers of the Index stocks or the Index sponsor. As we have told you above, however, we or our affiliates may currently or from time to time in the future engage in business with the Index stock issuers. Nevertheless, neither we nor any of our affiliates assumes any responsibility for the accuracy or the completeness of any information about the Index stock issuers. You, as an investor in your AMPS, should make your own investigation into the

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Index and the Index stock issuers. See "Description of the Index" below for additional information about the Index. Neither the Index sponsor nor the Index stock issuers are involved in this offering of your AMPS in any way and none of them have any obligation of any sort with respect to your AMPS. Thus, neither the Index sponsor nor the Index stock issuers have any obligation to take your interests into consideration for any reason, including in taking any corporate actions that might affect the value of your AMPS.

The Payments You Receive on the AMPS may be Delayed or Reduced Upon the Occurrence of a Market Disruption Event or an Event of Default

If the calculation agent determines that, on the valuation date, a market disruption event has occurred or is continuing, the determination of the value of the Index by the calculation agent may be deferred. As a result, the expiration date for your AMPS 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 expiration date of the AMPS until several days after the originally scheduled due date. You should refer to "Description of the AMPS Market Disruption Events" below.

If the calculation agent determines that an Event of Default (as defined below) has occurred with respect to the Company, a holder of the AMPS will only receive an amount equal to the market value of the AMPS on the date of such Event of Default, adjusted by an amount equal to any losses, expenses and costs to the Company of unwinding any underlying hedging or funding arrangements, all as determined by the calculation agent in its sole and absolute discretion. You should refer to "Description of the AMPS Event of Default" below.

You should decide to purchase the AMPS only after carefully considering the suitability of the AMPS in light of your particular financial circumstances. You should also carefully consider the tax consequences of investing in the AMPS. You should refer to "Certain U.S. Federal Income Tax Considerations" below.

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DESCRIPTION OF THE AMPS

The following description of the AMPS supplements the description of the warrants in the accompanying prospectus. This is a summary, and is not complete. You should read the warrant agreement, dated as of July 9, 2003, between us and JPMorgan Chase Bank, as warrant agent (the "Warrant Agent"), as supplemented by the First Supplemental Warrant Agreement, dated as of July 17, 2003, between us, the Warrant Agent and Bear Stearns (collectively, the "Warrant Agreement"). A copy of the Warrant Agreement is available for inspection by any registered holder of the AMPS at the office of the Warrant Agent which is currently located at 4 New York Plaza, New York, N.Y. 10004, during the Warrant Agent's normal business hours.

General

The AMPS will constitute direct, unconditional and unsecured obligations of the Company and will rank equally, without any preferences among themselves, with all our other existing and future unsecured and unsubordinated debt. Because we are a holding company, the AMPS will be effectively subordinated to the claims of creditors of our subsidiaries with respect to their assets.

At May 31, 2003:

we had outstanding (on an unconsolidated basis) approximately \$39.8 billion of debt and other obligations, including approximately \$36.7 billion of unsecured senior debt, and \$2.5 billion of unsecured inter-company debt; and

our subsidiaries had outstanding (after elimination of inter-company items) approximately \$163.9 billion of debt and other obligations (including \$45.5 billion related to securities sold under repurchase agreements, \$60.7 billion related to payables to customers, \$29.2 billion related to financial instruments sold, but not yet purchased, and \$28.5 billion of other liabilities, including \$15.9 billion of debt).

The principal amount of the AMPS will be \$5,000,000. The AMPS will be automatically exercised on the expiration date, October 21, 2004. The AMPS will be issued only in fully registered form. Initially, the AMPS will be issued in the form of one or more global securities registered in the name of DTC or its nominee, as described below and the accompanying prospectus. The AMPS will not be subject to redemption prior to expiration.

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You should refer to the section entitled "Certain U.S. Federal Income Tax Considerations" below, for a discussion of certain federal income tax considerations to you as a holder of the AMPS.

Automatic Exercise

All AMPS will be automatically exercised on the expiration date, October 21, 2004. The Company will be required to make available to the Warrant Agent, no later than 3:00 P.M., New York City time, on the third business day after the applicable valuation date, funds in an amount sufficient to pay the aggregate Cash Settlement Value of the AMPS. If the Company has made such funds available by that time, the Warrant Agent will thereafter be responsible for making funds available to DTC in an amount sufficient to pay the aggregate Cash Settlement Value of the AMPS. DTC will be responsible for disbursing such funds to each appropriate participant. Each participant will be responsible for disbursing such payments to holders of the AMPS it represents and to each brokerage firm for which it acts as agent and each brokerage firm will be responsible for disbursing funds to the holders of the AMPS it represents.

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Payment Upon Exercise

Upon exercise of the AMPS, for each AMPS you own, you will receive a payment equal to the "**Cash Settlement Value**". The Cash Settlement Value to which you will be entitled depends entirely on the relation of the Final Index Level to the Initial Index Level:

- (i) If the Final Index Level is greater than or equal to the Initial Index Level, the Cash Settlement Value per AMPS will equal:

provided, however, the Cash Settlement Value cannot exceed \$5.75 per AMPS (the "Capped Value").

- (ii) If the Final Index Level is less than the Initial Index Level, the Cash Settlement Value per AMPS will equal:

The "**Initial Index Level**" equals 981.73, which was the closing value of the Index at the time the AMPS were priced on July 17, 2003.

The "**Final Index Level**" will be determined by the calculation agent and will equal the closing value of the Index on October 18, 2004, the "valuation date".

You should understand that the opportunity to participate in the possible increases in the value of the Index through an investment in the AMPS is limited because the amount that you receive upon exercise will never exceed the Capped Value, which represents an appreciation of 15% over the original public offering price of the AMPS. However, in the event that the value of the Index declines over the term of the AMPS, the amount you receive upon exercise will be proportionately less than the original public offering price and you may therefore lose a part or all of your initial investment in the AMPS.

Illustrative Examples

Set forth below are four examples of Cash Settlement Value calculations:

Example 1:

The hypothetical Final Index Level is equal to 103% of the Initial Index Level:

Initial Index Level: 975.00

Hypothetical Final Index Level: 1004.25

Cash Settlement Value (per AMPS) =

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Example 2:

The hypothetical Final Index Level is equal to 75% of the Initial Index Level:

Initial Index Level: 975.00

Hypothetical Final Index Level: 731.25

Cash Settlement Value (per AMPS) =

Example 3:

The hypothetical Final Index Level is equal to 125% of the Initial Index Level:

Initial Index Level: 975.00

Hypothetical Final Index Level: 1218.75

Cash Settlement Value (per AMPS) =

Example 4:

The hypothetical Final Index Level is equal to 100% of the Initial Index Level:

Initial Index Level: 975.00

Hypothetical Final Index Level: 975.00

Cash Settlement Value (per AMPS) =

These examples are for purposes of illustration only. The Index return will depend on the starting Index value and the percentage changes determined by the calculation agent as provided in this prospectus supplement. Historical value data regarding the Index are included in this prospectus supplement under "Description of the Index Historical Data on the Index."

Book-Entry Warrants Registration, Transfer and Payments

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

The depository has provided us the following information: The depository is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of

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the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. The depository holds securities that have been deposited by its participating organizations, which are called "participants." The depository also facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through computerized records for participants' accounts. This eliminates the need to exchange certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. The depository is owned by a number of its participants and by the NYSE, the AMEX and the National Association of Securities Dealers, Inc. (the "NASD"). The depository's book-entry system also is used by other organizations such as securities brokers and dealers, banks, and trust companies that work through a participant. Persons who are not participants may beneficially own securities held by the depository only through participants. The rules applicable to the depository and its participants are on file with the SEC.

Upon our issuance of any AMPS that will be represented by a global warrant, the depository will immediately credit on its book-entry system the respective amounts of the AMPS represented by the global warrant to participants' accounts. The accounts to be credited will be designated by our agents or by us if we directly offer and sell the AMPS. Ownership of beneficial interests in a global warrant will be limited to participants or persons that hold interests through the participants. Beneficial ownership interests in a global warrant will be shown on, and transfers of those interests will be made only through, records maintained by the depository's participants or persons holding interests through participants. Please note, the laws of some states require that certain purchasers of warrants take physical delivery of these warrants in definitive form. These limits and laws may impair the ability to transfer beneficial interest in a global warrant.

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

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

The depository's nominee is the only person that can exercise a right to repayment of a global warrant. If you own a beneficial interest in a global warrant and want to exercise a right to repayment, then you must instruct your participant (for example, your broker) to notify the nominee of your desire to exercise such right. Different participants have different procedures for accepting instructions from their customers

(for example, cut-off times for notice), and accordingly, you should consult your participant to inform yourself about their particular procedures.

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The AMPS will be issued initially as book-entry warrants. Generally, we will issue book-entry warrants only in the form of global warrants. AMPS represented by a global warrant may be exchanged for certificated warrants with the same terms in authorized denominations if:

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

we determine not to have any AMPS of a series represented by a global warrant.

In these circumstances, you will be entitled to physical delivery of AMPS in definitive form in an amount equal to your beneficial ownership interest and registered in your name.

Merger and Consolidation

The Warrant Agreement and any AMPS issued under the Warrant Agreement will not restrict our ability to merge or consolidate with, or sell our assets to, another corporation or other entity or to engage in any other transactions. If at any time we merge or consolidate with, or sell our assets substantially as an entirety to, another corporation or other entity, the successor entity will succeed to and assume our obligations under the AMPS and the Warrant Agreement. We will then be relieved of any further obligation under the AMPS and the Warrant Agreement.

Modification to the Warrant Agreement

We and the Warrant Agent may modify or amend the Warrant Agreement with the consent of the holders of not less than a majority in number of the outstanding AMPS affected by such modification or amendment. However, consent of all the affected holders is required, if such modification or amendment relates to the factors set forth below:

changes the exercise price of the AMPS;

reduces the amount receivable upon exercise of the AMPS, except as provided in the AMPS;

shortens the period of time during which the AMPS may be exercised;

otherwise materially and adversely affects the exercise rights of the holders of the AMPS; or

reduces the percentage of the number of outstanding AMPS, the consent of whose holders is required to modify or amend the Warrant Agreement.

Warrant Agreement Will Not Be Qualified Under Trust Indenture Act

The Warrant Agreement will not be qualified as an indenture, and the Warrant Agent will not be required to qualify as a trustee, under the Trust Indenture Act. Therefore, as a holder of the AMPS issued under the Warrant Agreement, you will not have the protection of the Trust Indenture Act with respect to the AMPS.

No Restrictive Covenants or Events of Default

The Warrant Agreement and any AMPS issued under the Warrant Agreement will not include any restrictions on our ability to put liens on our assets, including our interests in our subsidiaries, nor will they restrict our ability to sell our assets. The Warrant Agreement and any AMPS issued under the Warrant Agreement also will not provide for any events of default or remedies upon the occurrence of any events of default.

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Governing Law

The validity, interpretation and performance of the Warrant Agreement and each AMPS issued thereunder will be governed by the laws of the State of New York.

Discontinuance of the Index

If Standard & Poor's discontinues publication of the Index, or if it or another entity publishes a successor or substitute index that the calculation agent determines, in its sole discretion, to be comparable to the Index, then the ending value as of any succeeding valuation date will be determined by reference to the value of that index, which we refer to as a "successor index."

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

If Standard & Poor's discontinues publication of the Index, and a successor index is not selected by the calculation agent, or is no longer published on any valuation date, the periodic index level to be substituted for the Index for that valuation date will be a value computed by the calculation agent for that valuation date in accordance with the procedures last used to calculate the Index prior to any such discontinuance.

If Standard & Poor's discontinues publication of the Index prior to the determination of the Cash Settlement Value, and the calculation agent determines that no successor index is available at that time, then on each Index Business Day until the earlier to occur of (a) the determination of the Cash Settlement Value or (b) a determination by the calculation agent that a successor index is available, the calculation agent will determine the value that is to be used in computing the Cash Settlement Value as described in the preceding paragraph, as if such day were a valuation date. The calculation agent will cause notice of each such value to be published not less often than once each month in The Wall Street Journal (or another newspaper of general circulation), and arrange for information with respect to those values to be made available by telephone. Notwithstanding these alternative arrangements, discontinuance of the publication of the Index may adversely affect trading in the AMPS.

If a successor index is selected, or the calculation agent calculates a value as a substitute for the Index as described above, the successor index or value will be substituted for the Index 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 Index may adversely affect the value of the AMPS.

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 AMPS, absent manifest error.

Adjustments to the Index

If, at any time, the method of calculating the Index or a successor index is changed in any material respect, or if the Index or a successor index is in any other way modified, so that the value of the Index or the successor index does not, in the opinion of the calculation agent, fairly represent the value of that index, had the changes or modifications not been made, then, from and after that time, the calculation agent will, at the close of business in New York, New York, make those adjustments as, in the good faith judgment of the calculation agent, may be necessary in order to arrive at a calculation of a value of a stock index comparable to the Index or the successor index, as if the changes or modifications had not been made, and calculate the closing value with reference to the Index or the successor index. Accordingly, if the method of calculating the Index or the successor index is modified so that the value of the Index or the successor index is a fraction or a multiple of what it would have

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been if it had not been modified (for example, due to a split in the Index), then the calculation agent will adjust that index in order to arrive at a value of the index as if it had not been modified (for example, as if the split had not occurred).

Market Disruption Events

If there is a market disruption event on the valuation date, the valuation 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 valuation date. In that case, the fifth Index Business Day will be deemed to be the valuation date, notwithstanding the market disruption event and the calculation agent will determine the level of the Index on that fifth Index Business Day in accordance with the formula for and method of calculating the Index in effect prior to the market disruption event using the exchange traded price of each security in the Index (or, if trading in any such security has been 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.

An "**Index Business Day**" means a day on which The Nasdaq Stock Market, the NYSE and the AMEX are open for trading and the Index or any successor index is calculated and published.

"**Market Disruption Event**" means either of the following events, as determined by the calculation agent, in its sole discretion:

- a. 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 Index (without taking into account any extended or after-hours trading session); or
- b. 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 Index, or any successor index, which are traded on any major U.S. exchange.

For the purpose of the above definition:

1. 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
2. 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 AMPS, 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.

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Event of Default

If an Event of Default (as defined below) with respect to the AMPS has occurred and is continuing, then a holder of the AMPS will only receive an amount equal to the market value of the AMPS on the date of such Event of Default, adjusted by an amount equal to any losses, expenses and costs to the Company of unwinding any underlying hedging or funding arrangements, all as determined by the calculation agent in its sole and absolute discretion.

"Event of Default" shall mean the Company shall be adjudged bankrupt or insolvent or make an assignment for the benefit of its creditors or institute proceedings to be adjudicated bankrupt or shall consent to the filing of a bankruptcy proceeding against it, or shall file a petition or

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answer or consent seeking reorganization under applicable law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or custodian of all or any substantial part of its property.

Redemption

The AMPS are not subject to redemption before expiration.

Listing

The AMPS have been approved for listing (subject to official notice of issuance) on the AMEX. The AMEX expects to cease trading the AMPS as of the close of business on the expiration date. Please refer to "Risk Factors There may be no Secondary Market for the AMPS" on page S-9.

Same-Day Settlement and Payment

Settlement for the AMPS will be made by the Underwriter in immediately available funds. All payments of principal and any Cash Settlement Value will be made by us in immediately available funds, so long as the AMPS are maintained in book-entry form.

Calculation Agent

The calculation agent for the AMPS 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 you and the Company. Because the calculation agent is an affiliate of the Company, potential conflicts of interest may exist between you and the calculation agent, including with respect to certain determinations and judgments that the calculation agent must make in determining amounts due to you. 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 INDEX

General

Unless otherwise stated, we have derived all information regarding the Index contained in this prospectus 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, Standard and Poor's Ratings Group, which is the index sponsor and is commonly referred to as Standard & Poor's. Standard and Poor's owns the copyright and all other rights to the Index. Standard & Poor's has no obligation to continue to publish, and may discontinue publication of, the Index. Standard & Poor's does not assume any responsibility for the accuracy or completeness of such information. The consequences of Standard & Poor's discontinuing the Index are described in the section entitled "Description of the AMPS Discontinuance of the Index and Adjustments to the Index" above. Current information regarding the market value of the Index is available from Standard & Poor's and from numerous public information sources. We do not make any representation that the publicly available information about the Index is accurate or complete. The Index is determined, comprised and calculated by Standard & Poor's without regard to the offered AMPS. Neither we nor any of our affiliates accept any responsibility for the calculation, maintenance or publication of, or for any error, omission or disruption in the Index.

The Index is published by Standard & Poor's, and is intended to provide an indication of the pattern of common stock price movement. The calculation of the value of the Index (discussed below in further detail) is based on the relative value of the aggregate market value (as defined below) of the common stocks of 500 companies as of a particular time, compared to the aggregate average market value of the common stocks of 500 similar companies during the base period of the years 1941 through 1943. As of June 30, 2003, 424 companies or 84.7% of the Index traded on the NYSE; 74 companies or 15.1% of the Index traded on The Nasdaq Stock Market; and 2 companies or 0.2% of the Index traded on the AMEX. As of June 30, 2003, the aggregate market value of the 500 companies included in the Index represented approximately 78% of the aggregate market value of stocks included in the Standard & Poor's Stock Guide Database of domestic common stocks traded in the United States, excluding American depositary receipts and shares of real estate investment trusts, limited partnerships and mutual funds.

Standard & Poor's chooses companies for inclusion in the Index with the aim of achieving a distribution by broad industry groupings, that approximates the distribution of these groupings in the common stock population of the NYSE, which Standard & Poor's uses as an assumed model for the composition of the total market. Relevant criteria employed by Standard & Poor's include: the viability of the particular company,

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the extent to which that company represents the industry group to which it is assigned, the extent to which the market price of that company's common stock is generally responsive to changes in the affairs of the respective industry, and the market value and trading activity of the common stock of that company. Ten main groups of companies comprise the index with the number of companies currently included in each group indicated in parentheses: consumer discretionary (86), consumer staples (37), energy (23), financials (82), health care (46), industrials (60), information technology (83), materials (34), telecommunication services (12) and utilities (37). Standard & Poor's may from time to time, in its sole discretion, add companies to, or delete companies from, the index to achieve the objectives stated above.

For more information concerning the composition of the Index see Standard & Poor's website at <http://www.spglobal.com>.

THE INDEX DOES NOT REFLECT THE PAYMENT OF DIVIDENDS ON THE STOCKS UNDERLYING IT AND THEREFORE THE CASH SETTLEMENT VALUE ON THE AMPS WILL NOT PRODUCE THE SAME RETURN YOU WOULD HAVE RECEIVED HAD YOU PURCHASED SUCH UNDERLYING STOCKS AND HELD THEM UNTIL THE EXPIRATION DATE OF THE AMPS.

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Computation of the Index

While Standard & Poor's currently employs the following methodology to calculate the Index, no assurance can be given that S&P will not modify or change such methodology in a manner that may affect the index return amount payable to the beneficial owners of the AMPS.

Standard & Poor's currently computes the Index as of a particular time, as follows:

- (a) the product of the market price per share and the number of then outstanding shares of each component stock is determined as of such time (such product referred to as the "market value" of such stock);
- (b) the market value of all component stocks as of such time (as determined under clause (a) above) are aggregated;
- (c) the mean average of the market values as of each week in the base period of the years 1941 through 1943 of the common stock of each company in a group of 500 substantially similar companies is determined;
- (d) the mean average market values of all such common stocks over such base period (as determined under clause (c) above) are aggregated (such aggregate amount being referred to as the "base value");
- (e) the aggregate market value of all component stocks as of such time (as determined under clause (b) above) is divided by the base value; and
- (f) the resulting quotient (expressed in decimals) is multiplied by ten.

While Standard & Poor's currently employs the above methodology to calculate the Index, no assurance can be given that Standard & Poor's will not modify or change this methodology in a manner that may affect the payment amount for the offered AMPS upon expiration or otherwise.

Standard & Poor's adjusts the foregoing formula to negate the effects of changes in the market value of a component stock that are determined by Standard & Poor's to be arbitrary, or not due to true market fluctuations. Such changes may result from such causes as the issuance of stock dividends, the granting to shareholders of rights to purchase additional shares of such stock, the purchase of shares by employees pursuant to employee benefit plans, certain consolidations and acquisitions, the granting to shareholders of rights to purchase other securities of the company, the substitution by Standard & Poor's of particular component stocks in the Index, and other reasons. In all such cases, Standard & Poor's first recalculates the aggregate market value of all component stocks (after taking account of the new market price per share of the particular component stock, or the new number of outstanding shares thereof, or both, as the case may be) and then determines the new base value in accordance with the following formula:

$$\frac{\text{Old Base Value X New Market Value}}{\text{Old Market Value}} = \text{New Base Value}$$

The result is that the base value is adjusted in proportion to any change in the aggregate market value of all component stocks resulting from the causes referred to above, to the extent necessary to negate the effects of such causes upon the Index.

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Historical Data on the Index

The following table sets forth the value of the Index at the end of each month in the period from January 1997 through June 2003. These historical data on the Index are not necessarily indicative of the future performance of the Index, or what the value of the AMPS may be. Any historical upward or downward trend in the value of the Index during any period set forth below is not any indication that the Index is more or less likely to increase or decrease at any time during the term of the AMPS. You should not take the historical levels of the Index as an indication of future performance. We cannot give you any assurance that the future performance of the Index or the index stocks will result in you receiving an amount greater than the outstanding face amount of your AMPS on the stated expiration date. Neither we nor any of our affiliates make any representation to you as to the performance of the Index.

The actual performance of the Index over the life of the offered AMPS may bear little relation to the historical levels shown below.

Month End Closing Value of the Index January 1997- June 2003

	1997	1998	1999	2000	2001	2002	2003
January	786.16	980.28	1279.64	1394.46	1366.01	1130.20	855.70
February	790.82	1049.34	1238.33	1366.42	1239.94	1106.73	841.15
March	757.12	1101.75	1286.37	1498.58	1160.33	1147.39	848.18
April	801.34	1111.75	1335.18	1452.43	1249.46	1076.92	916.92
May	848.28	1090.82	1301.84	1420.60	1255.82	1067.14	963.59
June	885.14	1133.84	1372.71	1454.60	1224.38	989.82	974.50
July	954.29	1120.67	1328.72	1430.83	1211.23	911.62	
August	899.47	957.28	1320.41	1517.68	1133.58	916.07	
September	947.28	1017.01	1282.71	1436.51	1040.94	815.28	
October	914.62	1098.67	1362.93	1429.40	1059.78	885.76	
November	955.40	1163.63	1388.91	1314.95	1139.45	936.31	
December	970.43	1229.23	1469.25	1320.28	1148.04	879.82	

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The following table sets forth the closing values of the Index on the last Index Business Day of each year from 1947 through 2002, as published by Standard & Poor's. The historical performance of the Index should not be taken as an indication of future performance, and no assurance can be given that the value of the Index will not decline (or increase insufficiently) and thereby reduce or eliminate the index return amount.

Year End Closing Value of the Index

Year	Year End Closing Value	Year	Year End Closing Value	Year	Year End Closing Value
1947	15.30	1966	80.33	1985	211.28
1948	15.20	1967	96.47	1986	242.17
1949	16.79	1968	103.86	1987	247.08
1950	20.43	1969	92.06	1988	277.72

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Year	Year End Closing Value	Year	Year End Closing Value	Year	Year End Closing Value
1951	23.77	1970	92.15	1989	353.40
1952	26.57	1971	102.09	1990	330.22
1953	24.81	1972	118.05	1991	417.09
1954	35.98	1973	97.35	1992	435.71
1955	45.48	1974	68.56	1993	466.45
1956	46.67	1975	90.19	1994	459.27
1957	39.99	1976	107.45	1995	615.93
1958	55.21	1977	95.09	1996	740.74
1959	59.89	1978	96.11	1997	970.43
1960	58.11	1979	107.94	1998	1229.23
1961	71.55	1980	135.76	1999	1469.25
1962	63.10	1981	122.55	2000	1320.28
1963	75.02	1982	140.64	2001	1148.04
1964	84.75	1983	164.93	2002	879.82
1965	92.43	1984	167.24	6 mos June '03	974.50

The closing value of the Index on July 17, 2003 was 981.73.

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Historical Closing Values

The following graph illustrates the historical performance of the Index on a monthly basis based on the closing value on the last business day of May 1947 through June 2003. Past movements of the Index are not necessarily indicative of future Index values.

Index Historical Closing Values

S&P 500 Index: June 1947 to June 2003

This graph is for historical information only and should not be used or interpreted as a forecast or indication of future stock market performance, interest rate levels or variable returns applicable to the AMPS.

License Agreement

Standard & Poor's and the Company have entered into a non-exclusive license agreement providing for the license to the Company, in exchange for a fee, of the right to use indices owned and published by Standard & Poor's in connection with certain securities, including the AMPS.

The license agreement between Standard & Poor's and the Company provides that the following language must be stated in this prospectus supplement.

"The AMPS are not sponsored, endorsed, sold or promoted by Standard & Poor's, a division of McGraw-Hill, Inc. ("S&P"). S&P makes no representation or warranty, express or implied, to the holders of the AMPS or any member of the public regarding the advisability of investing in securities generally or in the AMPS particularly or the ability of the S&P 500 Index to track general stock market performance. S&P's only relationship to the Company is the licensing of certain trademarks and trade names of S&P and of the S&P 500 Index which is determined, composed and calculated by S&P without regard to the Company or the AMPS. S&P has no obligation to take the needs of the Company or the holders of the AMPS into consideration in determining, composing or calculating the S&P 500 Index. S&P is not responsible for and has not participated in the determination of the timing of the sale of the AMPS, prices at which the AMPS are to be initially be sold, or quantities of the AMPS to be issued or in the determination of the timing of, prices at, or quantities of the AMPS to be issued or in the determination or calculation of the equation by which the AMPS are to be converted

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into cash. S&P has no obligation or liability in connection with the administration, marketing or trading of the AMPS.

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CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

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

a citizen or resident of the United States or any State thereof,

a corporation (or other entity that is treated as a corporation for U.S. federal tax purposes) created or organized in or under the laws of the Unit