

Bear, Stearns International Limited
 One Canada Square
 London E14 5AD
 Authorised and regulated by the Financial Services Authority
 Registered in England No. 1592029

Adagio

Adrien Blavier, CFA
 Telephone: + 44 20 7516 5464
 Email: ablavier@bear.com

8 YR. PRINCIPAL-PROTECTED CHF NOTES LINKED TO THE INSTITUTIONAL ADAGIO STRATEGY INDEX

Further to our recent conversations and to your request, Bear, Stearns International Limited ("**Bear Stearns**") is pleased to provide you with indicative Notes terms reflecting our discussions and upon which we would welcome your comments and thoughts. These indicative terms are subject to the granting of any applicable approvals or licences, prevailing market conditions and Bear Stearns procedures for this type of transaction, which will include credit and legal approval. Subject to these points and to the disclosures made at the foot of this page at present the indicative terms are as follows.

Indicative Terms

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| Instrument: | Euro Medium Term Notes issued pursuant to the U.S.\$30,000,000,000 Euro Medium Term Note Programme (the " Programme "). |
| Issuer: | The Bear Stearns Companies Inc., rated A+ (S&P, stable outlook), A1 (Moody's, stable outlook), A+ (Fitch, stable outlook) |
| Dealer and Calculation Agent: | Bear, Stearns International Limited |
| Distributor: | NPB Neue Privat Bank AG |
| Aggregate Principal Amount: | A minimum of CHF 10,000,000 up to CHF 30,000,000, subject to a Commitment Letter |
| Specified Denominations: | CHF 1,000 |
| Minimum Trading Size: | CHF 10,000 |
| Trade Date: | 28 December 2006 |
| Issue/Settlement Date: | 13 April 2007 |
| Maturity Date: | 13 April 2015 |
| Issue Price: | 100% |
| Trailer Fee: | 0.60% per annum, payable annually, on the outstanding principal amount of the Notes. |
| Reference Index: | Institutional Adagio Strategy Index (Bloomberg: ADAGINST <Index>) |
| Initial Valuation Date: | 2 April 2007 |
| Final Valuation Date: | 2 April 2015 |
| Final Redemption Amount: | In respect of each Note, an amount equal to: $\text{Specified Denomination} \times [100\% + \text{Performance Premium}]$ |

Performance Premium:

The greater of: (i) 0% and (ii) the Aggregate Performance, where:

"**Aggregate Performance**" means the performance of the Reference Index over the investment period. For the avoidance of doubt, this is expressed by the following formula:

$$\text{Aggregate Performance} = \text{Participation} \times \left(\frac{\text{Index}_{\text{final}} - \text{Index}_{\text{initial}}}{\text{Index}_{\text{initial}}} \right)$$

"**Index_{final}**" means the official closing level of the Reference Index on the Final Valuation Date.

"**Index_{initial}**" means the official closing level of the Reference Index on the Initial Valuation Date.

Participation:

90%

Business Day for payment:

TARGET Settlement Day

Issuer's/ Noteholders' Optional Early Redemption:

None

Clearing:

Euroclear/Clearstream, Luxembourg

ISIN Code:

XS0281061571

Valoren:

2855368

Form:

Bearer

Distribution:

Non-syndicated

Listing:

Application will be made for the Notes to be admitted to the official list maintained by the UK Listing Authority and to be admitted to trading on the London Stock Exchange. No assurance is given that the application will be successful and settlement is not contingent upon successful listing.

Payment and Delivery:

Payment in full on the Settlement Date to Bear Stearns, through Euroclear/Clearstream, against delivery of the Notes to a common depository for Euroclear/Clearstream, in accordance with payment instructions to be notified by Bear Stearns.

Risk Factors:

Credit and Principal: The Notes are an unsecured obligation of the Issuer.

Liquidity Risk: Neither Bear Stearns nor the Issuer makes any representation as to the existence of a secondary market for the Notes. The market value can be expected to fluctuate significantly and investors should be prepared to assume the market risks associated with these Notes. However, under normal market conditions and upon request, Bear Stearns shall provide the Distributor with an indicative bid and offer price, although there can be no assurance at which level such price would be made. The price given, if any, may also be affected by many factors including, but not limited to: the remaining term of the Notes, the general level of interest rates, the level of the Reference Index and the cost to the Issuer or Bear Stearns of unwinding any related hedging activity or any funding arrangement.

Early Redemption Fees:

An early exit fee will be charged on any bid price shown, as follows: 4% in year 1, 3% in year 2, 2% in year 3, 1% in year 4, 0% thereafter.

Sales/Transfer Restrictions:

As specified in the Programme Offering Circular (including, without limitation, US and UK), Belgium, the Netherlands, Luxembourg and Switzerland.

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| Tax and Regulatory Considerations: | Potential Noteholders should consult their own tax and accounting advisers before agreeing to purchase the Notes. Neither Bear Stearns nor the Issuer makes any representation as to the appropriate characterization of the Notes and the accounting for balance sheet treatment thereof by any relevant tax authority, regulatory or accounting body. |
| Confidentiality clause: | Upon receipt of this termsheet, the Distributor agrees to maintain the confidentiality of its contents; however, you may disclose, without limitation of any kind, to any and all persons the tax treatment and/or tax structure of the Notes and all materials of any kind (including opinions or other tax analyses) that are provided to you relating to such tax treatment and tax structure. |
| Governing Law: | English |
| Documentation: | Base Prospectus in respect of the Programme and Prospectus in respect of the Notes. Provisions in respect of market disruption, market holidays, or non-availability of relevant information will be covered in more detail in the Prospectus. |
| Commitment Letter: | A Commitment Letter shall be executed as soon as possible and in any event no later than the Trade Date. The Distributor commits for an issuance of at least CHF10,000,000. Should the amount issued be less than this commitment, the Distributor will pay the Dealer a penalty of 1% on the differential. On the other hand, the Dealer guarantees the Distributor with the same pricing conditions for an additional tranche of CHF 20,000,000. |
| Distribution Agreement: | A Distribution Agreement dated as of 8 November 2005 shall be applicable to these Notes. A confirmation in respect of these Notes shall be executed by the Distributor. |

Disclaimer in respect of the Reference Index:

The Institutional Adagio Strategy Index (the "**Index**") is the exclusive property of Bear Stearns which has contracted with Standard & Poor's, a division of the McGraw-Hill Companies ("**S&P**") to maintain and calculate the Index. S&P shall have no liability for any errors or omissions in calculating the Institutional Adagio Strategy Index.

S&P DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE INDEX OR ANY DATA INCLUDED THEREIN. S&P MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY THE ISSUER, HOLDERS OF THE NOTES OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE INDEX OR ANY DATA INCLUDED THEREIN. S&P MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND HEREBY EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL S&P HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVENT IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

This indicative term sheet is neither an offer to buy or sell securities or an OTC derivative product, which includes options, swaps, forwards and structured notes having similar features to OTC derivative transactions, nor a solicitation to buy or sell securities or an OTC derivative product. The proposal contained in the foregoing is not a complete description of the terms of a particular transaction and is subject to change without limitation. All information contained in the foregoing is qualified in its entirety by the information to be provided in the prospectus or private placement terms and the offering circular dated 15 August 2006 (as may be supplemented from time to time by any supplemental offering circular) describing The Bear Stearns Companies Inc., Bear Stearns Bank plc and Bear Stearns Global Asset Holdings, Ltd. US\$ 30,000,000,000 Euro Medium Term Note Programme. Any investment decision should be based only upon such final documentation. The issue price set out in this term sheet does not represent the price at which purchasers may purchase securities or OTC derivative products from Bear Stearns, which may be less than the issue price set out in this term sheet. This term sheet does not purport to identify or suggest all of the risks (direct and indirect) which may be associated with the proposed transaction. Bear Stearns and/or individuals associated therewith or affiliates thereof may have positions in trades or securities similar to those described above. Bear Stearns acts as principal in transacting with you and accordingly you must determine the appropriateness for you of such transaction, or if you are a private customer you must speak with your usual Bear Stearns contact. Proprietary and confidential information of Bear Stearns. Not to be disclosed to a third party without Bear Stearns' written consent. © Bear, Stearns International Limited 2006 (all rights reserved).