BEAR STEARNS COMPANIES INC
Form FWP
March 15, 2007

*Free Writing Prospectus Filed Pursuant to Rule 433*
*Registration No. 333−136666*
*March 15, 2007*

**STRUCTURED EQUITY PRODUCTS**

**New Issue** **Indicative Terms**

Accelerated Market Participation Securities

**THE BEAR STEARNS COMPANIES INC.**
**Note Linked to the common stock of SanDisk Corporation**
**Due: April [l], 2008**

**INVESTMENT HIGHLIGHTS**

- 13-month term to maturity.
- **The Notes are not principal protected.**
- Issue is a direct obligation of The Bear Stearns Companies Inc. (Rated A1 by Moody's / A+ by S&P).
- Issue Price: 100.00% of the Principal Amount (99.00% for investors who purchase a Principal Amount of $1,000,000 or greater).
- Linked to the common stock of SanDisk Corporation.
- Depending upon the value of the Reference Share at maturity, the Note will pay 2 times the percentage increase in the Reference Share, up to a maximum return of [43.00]%.
- If the Reference Share declines in value by the Maturity Date, the Note will lose value at a rate of 1% for every 1% decline in the Reference Share from the Initial Share Price.

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

BEAR, STEARNS & CO. INC.
**STRUCTURED PRODUCTS GROUP**
(212) 272-6928

***Structured Products Group***

## TERMS OF OFFERING

| | |
|---|---|
| **ISSUER:** | **The Bear Stearns Companies Inc.** |
| **ISSUER'S RATING:** | A1 / A+ (Moody's / S&P) |
| **CUSIP NUMBER:** | 073928V34 |
| **ISSUE PRICE:** | 100.00% of the Principal Amount (99.00% for investors who purchase a Principal Amount of $1,000,000 or greater) |
| **PRINCIPAL AMOUNT:** | $**[l]** |
| **DENOMINATIONS:** | $1,000 per Note and $1,000 multiples thereafter |
| **SELLING PERIOD ENDS:** | March **[l]**, 2007 |
| **SETTLEMENT DATE:** | March **[l]**, 2007 |
| **CALCULATION DATE:** | April **[l**, 2008 unless such date is not an Reference Share Business Day, in which case the Calculation Date shall be the next Reference Share Business Day. The Calculation Date is subject to adjustment as described in the Pricing Supplement under "Description of the Notes—Market Disruption Events." |
| **MATURITY DATE:** | The Notes are expected to mature on April **[l]**, 2008 unless such date is not an Reference Share Business Day, in which case the Maturity Date shall be the next Reference Share Business Day. If the Calculation date is adjusted due to the occurrence of a Market Disruption Event, the Maturity Date will be three Reference Share Business Days following the adjusted Calculation Date. |
| **CASH SETTLEMENT VALUE:** | On the Maturity Date, you will receive the Cash Settlement Value, an amount in cash depending upon the relation of the Final Share Price to the Initial Share Price.<br><br>If, at maturity, the Final Share Price is greater than or equal to the Initial Share Price, the Cash Settlement Value is equal to, per Note, the lesser of:<br><br>$[1,430.00].<br><br>If, at maturity, the Final Share Price is less than the Initial Share Price, you will receive less and possibly significantly less, than your initial investment |

in the Notes. In this case, the Cash Settlement Value is equal to, per Note:

| | |
|---|---|
| **UPSIDE PARTICIPATION RATE:** | [200.00]% |
| **INITIAL SHARE PRICE:** | The closing price of the Reference Share on March **[l]**, 2007. |
| **FINAL SHARE PRICE:** | The closing price of the Reference Share on the Calculation Date. |
| **REFERENCE ISSUER:** | SanDisk Corporation (NASDAQ: SNDK) |
| **REFERENCE SHARE:** | The common stock of SanDisk Corporation |

***Structured Products Group***

## ADDITIONAL TERMS SPECIFIC TO THE NOTES

You should read this document together with the prospectus and prospectus supplement, each dated August 16, 2006 (the “Prospectus” and “Prospectus Supplement,” respectively), and the more detailed information contained in the Pricing Supplement, dated March 15, 2007 (subject to completion) (the “Pricing Supplement”). You should carefully consider, among other things, the matters set forth in “Risk Factors” in the Prospectus Supplement and the Pricing Supplement, as the Notes involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisers before you invest in the Notes. You may access the Pricing Supplement, the Prospectus Supplement and the Prospectus on the SEC web site as follows:

- Pricing Supplement dated March 15, 2007 (subject to completion):

http://www.sec.gov/Archives/edgar/data/777001/000114420407012911/v068622_424b2.htm

· Prospectus Supplement dated August 16, 2006:
http://www.sec.gov/Archives/edgar/data/777001/000104746906011015/a2172743z424b5.htm

· Prospectus dated August 16, 2006:
http://sec.gov/Archives/edgar/data/777001/000104746906011007/a2172711zs-3asr.htm

**BEAR, STEARNS & CO. INC.**

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***Structured Products Group***

## ILLUSTRATIVE HYPOTHETICAL CASH SETTLEMENT VALUE TABLE

The following is an illustrative table demonstrating the hypothetical Cash Settlement Value based on the assumptions listed below. Actual returns may be different.

**ASSUMPTIONS:**

- Investor purchases $1,000 principal amount of Notes at the initial offering price of $1,000.
- Investor does not sell the Notes and holds the Notes to maturity.
- The Initial Share Price is equal to 40.00.
- The Upside Participation Rate is [200.00]%.
- The maximum return on the Notes is [43.00]%.
- All returns are based on a 13-month term; pre-tax basis.
- No Market Disruption Events or Events of Default occur during the term of the Notes.

| Initial Share Price | Final Share Price | Percentage Change in Reference Share | Cash Settlement Value Per Note | Return if Held to Maturity | Initial Share Price | Final Share Price | Percentage Change in Reference Share | Cash Settlement Value Per Note | Return if Held to Maturity |
|---|---|---|---|---|---|---|---|---|---|
| 40.00 | 68.00 | +70.00% | $ 1,430.00 | 43.00% | 40.00 | 39.00 | -2.50% | $ 975.00 | -2.50% |
| 40.00 | 67.00 | +67.50% | $ 1,430.00 | 43.00% | 40.00 | 38.00 | -5.00% | $ 950.00 | -5.00% |
| 40.00 | 66.00 | +65.00% | $ 1,430.00 | 43.00% | 40.00 | 37.00 | -7.50% | $ 925.00 | -7.50% |
| 40.00 | 65.00 | +62.50% | $ 1,430.00 | 43.00% | 40.00 | 36.00 | -10.00% | $ 900.00 | -10.00% |
| 40.00 | 64.00 | +60.00% | $ 1,430.00 | 43.00% | 40.00 | 35.00 | -12.50% | $ 875.00 | -12.50% |
| 40.00 | 63.00 | +57.50% | $ 1,430.00 | 43.00% | 40.00 | 34.00 | -15.00% | $ 850.00 | -15.00% |
| 40.00 | 62.00 | +55.00% | $ 1,430.00 | 43.00% | 40.00 | 33.00 | -17.50% | $ 825.00 | -17.50% |
| 40.00 | 61.00 | +52.50% | $ 1,430.00 | 43.00% | 40.00 | 32.00 | -20.00% | $ 800.00 | -20.00% |
| 40.00 | 60.00 | +50.00% | $ 1,430.00 | 43.00% | 40.00 | 31.00 | -22.50% | $ 775.00 | -22.50% |
| 40.00 | 59.00 | +47.50% | $ 1,430.00 | 43.00% | 40.00 | 30.00 | -25.00% | $ 750.00 | -25.00% |
| 40.00 | 58.00 | +45.00% | $ 1,430.00 | 43.00% | 40.00 | 29.00 | -27.50% | $ 725.00 | -27.50% |
| 40.00 | 57.00 | +42.50% | $ 1,430.00 | 43.00% | 40.00 | 28.00 | -30.00% | $ 700.00 | -30.00% |
| 40.00 | 56.00 | +40.00% | $ 1,430.00 | 43.00% | 40.00 | 27.00 | -32.50% | $ 675.00 | -32.50% |
| 40.00 | 55.00 | +37.50% | | | | | | | |

- There May Not Be an Active Trading Market for the Notes-Sales in the Secondary Market May Result in Significant Losses — There may be little or no secondary market for the Notes. The Notes will not be listed on any securities exchange. RBCCM and our other affiliates may make a market for the Notes; however, they are not required to do so. RBCCM or any other affiliate of ours may stop any market-making activities at any time. Even if a secondary market for the Notes develops, it may not provide significant liquidity or trade at prices advantageous to you. We expect that transaction costs in any secondary market would be high. As a result, the difference between bid and asked prices for your Notes in any secondary market could be substantial.

- The Initial Estimated Value of the Notes Will Be Less than the Price to the Public — The initial estimated value set forth on the cover page and that will be set forth in the final pricing supplement for the Notes does not represent a minimum price at which we, RBCCM or any of our affiliates would be willing to purchase the Notes in any secondary market (if any exists) at any time. If you attempt to sell the Notes prior to maturity, their market value may be lower than the price you paid for them and the initial estimated value. This is due to, among other things, changes in the prices of the Reference Stocks, the borrowing rate we pay to issue securities of this kind, and the inclusion in the price to the public of the underwriting discount and the estimated costs relating to our hedging of the Notes. These factors, together with various credit, market and economic factors over the term of the Notes, are expected to reduce the price at which you may be able to sell the Notes in any secondary market and will affect the value of the Notes in complex and unpredictable ways. Assuming no change in market conditions or any other relevant factors, the price, if any, at which you may be able to sell your Notes prior to maturity may be less than your original purchase price, as any such sale price would not be expected to include the underwriting discount and the hedging costs relating to the Notes. In addition to bid-ask spreads, the value of the Notes determined by RBCCM for any secondary market price is expected to be based on the secondary rate rather than the internal funding rate used to price the Notes and determine the initial estimated value. As a result, the secondary price will be less than if the internal funding rate was used. The Notes are not designed to be short-term trading instruments. Accordingly, you should be able and willing to hold your Notes to maturity.
- The Initial Estimated Value of the Notes on the Cover Page of this Terms Supplement and that We Will Provide in the Final Pricing Supplement Are Estimates Only, Calculated as of the Time the Terms of the Notes Are Set — The initial estimated value of the Notes will be based on the value of our obligation to make the payments on the Notes, together with the mid-market value of the derivative embedded in the terms of the Notes. See “Structuring the Notes” below. Our estimates are based on a variety of assumptions, including our credit spreads, expectations as to dividends, interest rates and volatility, and the expected term of the Notes. These assumptions are based on certain forecasts about future events, which may prove to be incorrect. Other entities may value the Notes or similar securities at a price that is significantly different than we do.

The value of the Notes at any time after the Trade Date will vary based on many factors, including changes in market conditions, and cannot be predicted with accuracy. As a result, the actual value you would receive if you sold the Notes in any secondary market, if any, should be expected to differ materially from the initial estimated value of your Notes.

- Market Disruption Events and Adjustments — The payment at maturity, each Observation Date and the Valuation Date are subject to adjustment as described in the product prospectus supplement. For a description of what constitutes a market disruption event as well as the consequences of that market disruption event, see “General Terms of the Notes—Market Disruption Events” in the product prospectus supplement.
- Our Business Activities May Create Conflicts of Interest — We and our affiliates expect to engage in trading activities related to the Reference Stocks that are not for the account of holders of the Notes or on their behalf. These trading activities may present a conflict between the holders’ interests in the Notes and the interests we and our affiliates

will have in their proprietary accounts, in facilitating transactions, including options and other derivatives transactions, for their customers and in accounts under their management. These trading activities, if they influence the share price of the Reference Stocks, could be adverse to the interests of the holders of the Notes. We and one or more of our affiliates may, at present or in the future, engage in business with the Reference Stock Issuers, including making loans to or providing advisory services. These services could include investment banking and merger and acquisition advisory services. These activities may present a conflict between our or one or more of our affiliates' obligations and your interests as a holder of the Notes. Moreover, we and our affiliates may have published, and in the future expect to publish, research reports with respect to the Reference Stocks. 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 by us or one or more of our affiliates may affect the share price of the Reference Stocks, and, therefore, the market value of the Notes.

- Owning the Notes Is Not the Same as Owning the Reference Stocks — The return on your Notes is unlikely to reflect the return you would realize if you actually owned shares of the Reference Stocks. For instance, you will not receive or be entitled to receive any dividend payments or other distributions on these securities during the term of your Notes. As an owner of the Notes, you will not have voting rights or any other rights that holders of these securities may have. Furthermore, the Reference Stocks may appreciate substantially during the term of the Notes, while your potential return will be limited to the applicable Contingent Coupon payments.
- You Must Rely on Your Own Evaluation of the Merits of an Investment Linked to the Reference Stocks — In the ordinary course of their business, our affiliates may have expressed views on expected movements in the Reference Stocks, and may do so in the future. These views or reports may be communicated to our clients and clients of our affiliates. However, these views are subject to change from time to time. Moreover, other professionals who transact business in markets relating to any Reference Stock may at any time have significantly different views from those of our affiliates. For these reasons, you are encouraged to derive information concerning the Reference Stocks from multiple sources, and you should not rely solely on views expressed by our affiliates.
- There Is No Affiliation Between the Reference Stock Issuers and RBCCM, and RBCCM Is Not Responsible for any Disclosure by the Reference Stock Issuers — We are not affiliated with the Reference Stock Issuers. However, we and our affiliates may currently, or from time to time in the future engage, in business with either Reference Stock Issuer. Nevertheless, neither we nor our affiliates assume any responsibilities for the accuracy or the completeness of any information that any other company prepares. You, as an investor in the Notes, should make your own investigation into the Reference Stocks.

Auto-Callable Contingent Coupon Barrier Notes
Linked to the Lesser Performing of Two Equity Securities
Royal Bank of Canada

INFORMATION REGARDING THE REFERENCE STOCK ISSUERS

The Reference Stocks are registered under the Securities Exchange Act of 1934 (the "Exchange Act"). Companies with securities registered under that Act are required to file periodically certain financial and other information specified by the SEC. Information provided to or filed with the SEC can be inspected and copied at the public reference facilities maintained by the SEC or through the SEC's website at www.sec.gov. In addition, information regarding the Reference Stocks may be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly disseminated documents.

The following information regarding the Reference Stock Issuers is derived from publicly available information.

We have not independently verified the accuracy or completeness of reports filed by the Reference Stock Issuers with the SEC, information published by it on its website or in any other format, information about it obtained from any other source or the information provided below.

We obtained the information regarding the historical performance of the Reference Stocks set forth below from Bloomberg Financial Markets.

We have not independently verified the accuracy or completeness of the information obtained from Bloomberg Financial Markets. The historical performance of the Reference Stocks should not be taken as an indication of their future performance, and no assurance can be given as to the market prices of any Reference Stock at any time during the term of the Notes. We cannot give you assurance that the performance of any Reference Stock will not result in the loss of all or part of your investment.

PayPal Holdings, Inc. ("PYPL")

PayPal Holdings, Inc. operates as a technology platform company that enables digital and mobile payments on behalf of consumers and merchants. The company offers online payment solutions.

The company's common stock is listed on the Nasdaq Global Market under the ticker symbol "PYPL."

Square, Inc. ("SQ")

Square, Inc. provides mobile payment solutions. The company develops point-of-sale software that helps in digital receipts, inventory, and sales reports, as well as offering analytics and feedback. The company also provides financial and marketing services.

The company's common stock is listed on the New York Stock Exchange under the ticker symbol "SQ."

Auto-Callable Contingent Coupon Barrier Notes
Linked to the Lesser Performing of Two Equity Securities
Royal Bank of Canada

HISTORICAL INFORMATION

The graphs below set forth the information relating to the historical performance of the Reference Stocks. In addition, below the graphs are tables setting forth the intra-day high, intra-day low and period-end closing prices of the Reference Stocks. The information provided in these tables is for the period from day the applicable Reference Stock began trading through July 18, 2018.

We obtained the information regarding the historical performance of the Reference Stocks in the graphs and tables below from Bloomberg Financial Markets.

We have not independently verified the accuracy or completeness of the information obtained from Bloomberg Financial Markets. The historical performance of any Reference Stock should not be taken as an indication of its future performance, and no assurance can be given as to the prices of the Reference Stocks at any time. We cannot give you assurance that the performance of the Reference Stocks will not result in the loss of all or part of your investment.

Auto-Callable Contingent Coupon Barrier Notes
Linked to the Lesser Performing of Two Equity Securities
Royal Bank of Canada

Historical Information for PayPal Holdings, Inc. (“PYPL”)
Below is a table setting forth the intra-day high, intra-day low and period-end closing prices of this Reference Stock. The information provided in the table is for the period from July 6, 2015* through July 18, 2018.

| Period-Start Date | Period-End Date | High Intra-Day Price of this Reference Stock ($) | Low Intra-Day Price of this Reference Stock ($) | Period-End Closing Price of this Reference Stock ($) |
|---|---|---|---|---|
| 7/6/2015 | 9/30/2015 | 42.50 | 30.00 | 31.04 |
| 10/1/2015 | 12/31/2015 | 38.51 | 30.75 | 36.20 |
| 1/1/2016 | 3/31/2016 | 41.75 | 30.52 | 38.60 |
| 4/1/2016 | 6/30/2016 | 41.48 | 34.00 | 36.51 |
| 7/1/2016 | 9/30/2016 | 41.30 | 35.72 | 40.97 |
| 10/1/2016 | 12/31/2016 | 44.52 | 38.06 | 39.47 |
| 1/1/2017 | 3/31/2017 | 43.80 | 39.02 | 43.02 |
| 4/1/2017 | 6/30/2017 | 55.14 | 42.27 | 53.67 |
| 7/1/2017 | 9/30/2017 | 65.24 | 52.83 | 64.03 |
| 10/1/2017 | 12/31/2017 | 79.35 | 63.69 | 73.62 |
| 1/1/2018 | 3/31/2018 | 86.31 | 71.64 | 75.87 |
| 4/1/2018 | 6/30/2018 | 87.55 | 70.22 | 83.27 |
| 7/1/2018 | 7/18/2018 | 89.19 | 82.12 | 88.22 |

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

*The common stock of PayPal Holdings, Inc. began trading on July 6, 2015.

The graph below illustrates the performance of this Reference Stock from July 6, 2015 to July 18, 2018, assuming an Initial Stock Price of $88.22, which was the closing price of this Reference Stock on July 18, 2018. The red line represents a hypothetical Coupon Barrier and Trigger Price of $44.11, which is equal to 50.00% of the closing price on July 18, 2018. The actual Coupon Barrier and Trigger Price will be based on the closing price of this Reference Stock on the Trade Date.

Auto-Callable Contingent Coupon Barrier Notes
Linked to the Lesser Performing of Two Equity Securities
Royal Bank of Canada

Historical Information for Square, Inc. (“SQ”)
Below is a table setting forth the intra-day high, intra-day low and period-end closing prices of this Reference Stock. The information provided in the table is for the period from November 19, 2015* through July 18, 2018.

| Period-Start Date | Period-End Date | High Intra-Day Price of this Reference Stock ($) | Low Intra-Day Price of this Reference Stock ($) | Period-End Closing Price of this Reference Stock ($) |
|---|---|---|---|---|
| 11/19/2015 | 12/31/2015 | 14.78 | 11.05 | 13.09 |
| 1/1/2016 | 3/31/2016 | 15.90 | 8.06 | 15.28 |
| 4/1/2016 | 6/30/2016 | 15.85 | 8.42 | 9.05 |
| 7/1/2016 | 9/30/2016 | 12.54 | 8.79 | 11.66 |
| 10/1/2016 | 12/31/2016 | 14.67 | 10.88 | 13.63 |
| 1/1/2017 | 3/31/2017 | 18.17 | 13.66 | 17.28 |
| 4/1/2017 | 6/30/2017 | 24.97 | 16.66 | 23.46 |
| 7/1/2017 | 9/30/2017 | 29.00 | 22.66 | 28.81 |
| 10/1/2017 | 12/31/2017 | 49.56 | 28.80 | 34.67 |
| 1/1/2018 | 3/31/2018 | 58.45 | 34.69 | 49.20 |
| 4/1/2018 | 6/30/2018 | 69.39 | 43.72 | 61.64 |
| 7/1/2018 | 7/18/2018 | 68.81 | 60.33 | 68.29 |

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.
*The common stock of Square, Inc. began trading on November 19, 2015.

The graph below illustrates the performance of this Reference Stock from November 19, 2015 to July 18, 2018, assuming an Initial Stock Price of $68.29, which was the closing price of this Reference Stock on July 18, 2018. The red line represents a hypothetical Coupon Barrier and Trigger Price of $34.15, which is equal to 50.00% of the closing price on July 18, 2018, rounded to two decimal places. The actual Coupon Barrier and Trigger Price will be based on the closing price of this Reference Stock on the Trade Date.

Auto-Callable Contingent Coupon Barrier Notes
Linked to the Lesser Performing of Two Equity Securities
Royal Bank of Canada

SUPPLEMENTAL DISCUSSION OF
U.S. FEDERAL INCOME TAX CONSEQUENCES

The following disclosure supplements, and to the extent inconsistent supersedes, the discussion in the product prospectus supplement dated January 8, 2016 under "Supplemental Discussion of U.S. Federal Income Tax Consequences." The discussions below and in the accompanying product prospectus supplement do not address the tax consequences applicable to holders subject to Section 451(b) of the Code.

Under Section 871(m) of the Code, a "dividend equivalent" payment is treated as a dividend from sources within the United States. Such payments generally would be subject to a 30% U.S. withholding tax if paid to a non-U.S. holder. Under U.S. Treasury Department regulations, payments (including deemed payments) with respect to equity-linked instruments ("ELIs") that are "specified ELIs" may be treated as dividend equivalents if such specified ELIs reference an interest in an "underlying security," which is generally any interest in an entity taxable as a corporation for U.S. federal income tax purposes if a payment with respect to such interest could give rise to a U.S. source dividend. However, the IRS has issued guidance that states that the U.S. Treasury Department and the IRS intend to amend the effective dates of the U.S. Treasury Department regulations to provide that withholding on dividend equivalent payments will not apply to specified ELIs that are not delta-one instruments and that are issued before January 1, 2019. Based on our determination that the Notes are not delta-one instruments, non-U.S. holders should not be subject to withholding on dividend equivalent payments, if any, under the Notes. However, it is possible that the Notes could be treated as deemed reissued for U.S. federal income tax purposes upon the occurrence of certain events affecting the Reference Stocks or the Notes, and following such occurrence the Notes could be treated as subject to withholding on dividend equivalent payments. Non-U.S. holders that enter, or have entered, into other transactions in respect of the Reference Stocks or the Notes should consult their tax advisors as to the application of the dividend equivalent withholding tax in the context of the Notes and their other transactions. If any payments are treated as dividend equivalents subject to withholding, we (or the applicable withholding agent) would be entitled to withhold taxes without being required to pay any additional amounts with respect to amounts so withheld.

SUPPLEMENTAL PLAN OF DISTRIBUTION (CONFLICTS OF INTEREST)

We expect that delivery of the Notes will be made against payment for the Notes on or about July 31, 2018, which is the second (2nd) business day following the Trade Date (this settlement cycle being referred to as "T+2"). See "Plan of Distribution" in the prospectus dated January 8, 2016. For additional information as to the relationship between us and RBCCM, please see the section "Plan of Distribution—Conflicts of Interest" in the prospectus dated January 8, 2016.

In the initial offering of the Notes, they will be offered to investors at a purchase price equal to par, except with respect to certain accounts as indicated on the cover page of this document. The value of the Notes shown on your account statement may be based on RBCCM's estimate of the value of the Notes if RBCCM or another of our affiliates were to make a market in the Notes (which it is not obligated to do). That estimate will be based upon the price that RBCCM may pay for the Notes in light of then prevailing market conditions, our creditworthiness and transaction costs. For a period of approximately three months after the issue date of the Notes, the value of the Notes that may be shown on your account statement may be higher than RBCCM's estimated value of the Notes at that time. This is because the estimated value of the Notes will not include the underwriting discount and our hedging costs and profits; however, the value of the Notes shown on your account statement during that period may initially be a higher amount, reflecting the addition of RBCCM's underwriting discount and our estimated costs and profits from hedging the Notes. This excess is expected to decrease over time until the end of this period. After this period, if RBCCM repurchases your Notes, it expects to do so at prices that reflect their estimated value.

We may use this terms supplement in the initial sale of the Notes. In addition, RBCCM or another of our affiliates may use this terms supplement in a market-making transaction in the Notes after their initial sale. Unless we or our agent informs the purchaser otherwise in the confirmation of sale, this terms supplement is being used in a market-making transaction.

No Prospectus (as defined in Directive 2003/71/EC (as amended, the “Prospectus Directive”)) will be prepared in connection with the Notes. Accordingly, the Notes may not be offered to the public in any member state of the European Economic Area (the “EEA”), and any purchaser of the Notes who subsequently sells any of the Notes in any EEA member state must do so only in accordance with the requirements of the Prospectus Directive, as implemented in that member state.

The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the EEA. For these purposes, the expression “offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, and a “retail investor” means a person who is one (or more) of: (a) a retail client, as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (b) a customer, within the meaning of Insurance Distribution Directive 2016/97/EU, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (c) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared, and therefore, offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

STRUCTURING THE NOTES

The Notes are our debt securities, the return on which is linked to the performance of the Reference Stocks. As is the case for all of our debt securities, including our structured notes, the economic terms of the Notes reflect our actual or perceived creditworthiness at the time of pricing. In addition, because structured notes result in increased operational, funding and liability management costs to us, we typically borrow the funds under these Notes at a rate that is more favorable to us than the rate that we might pay for a conventional fixed or floating rate debt security of comparable maturity. Using this relatively lower implied borrowing rate rather than the secondary market rate, is a factor that is likely to reduce the initial estimated value of the Notes at the time their terms are set. Unlike the estimated value included in this terms supplement or in the final pricing supplement, any value of the Notes determined for purposes of a secondary market transaction may be based on a different funding rate, which may result in a lower value for the Notes than if our initial internal funding rate were used.

In order to satisfy our payment obligations under the Notes, we may choose to enter into certain hedging arrangements (which may include call options, put options or other derivatives) on the issue date with RBCCM or one of our other subsidiaries. The terms of these hedging arrangements take into account a number of factors, including our creditworthiness, interest rate movements, the volatility of the Reference Stocks, and the tenor of the Notes. The economic terms of the Notes and their initial estimated value depend in part on the terms of these hedging arrangements.

The lower implied borrowing rate is a factor that reduces the economic terms of the Notes to you. The initial offering price of the Notes also reflects the underwriting commission and our estimated hedging costs. These factors result in the initial estimated value for the Notes on the Trade Date being less than their public offering price. See “Selected Risk Considerations—The Initial Estimated Value of the Notes Will Be Less than the Price to the Public” above.