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The Bear Stearns Companies Inc Minutes of Regular Meeting of Board of Directors

James E. Cayne

Henry S. Bienen

Carl D. Glickman

Michael Goldstein

Alan C. Greenberg

See next page for additional authors

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Author/Creator

James E. Cayne, Henry S. Bienen, Carl D. Glickman, Michael Goldstein, Alan C. Greenberg, Donald J. Harrington, Frank T. Nickell, Paul A. Novelly, Frederic V. Salerno, Adam M. Tempkin, Warren Spector, Vincent Tese, Wesley S. Williams Jr., Kenneth L. Edlow, Jeffrey M. Lipman, Sam Molinaro, and Michael S. Solender

THE BEAR STEARNS COMPANIES INC.

**Minutes of Regular Meeting of
Board of Directors – March 22, 2007**

A regular meeting of the Board of Directors (the “Board”) of The Bear Stearns Companies Inc. (“TBSCI”), a Delaware corporation, was held at 383 Park Avenue, New York, New York on March 22, 2007 beginning at 8:00 A.M.

1. Attendance and Organization at the Meeting

The following directors were present:

James E. Cayne	Paul A. Novelly
Henry S. Bienen	Frederic V. Salerno
Carl D. Glickman	Alan D. Schwartz
Michael Goldstein	Warren J. Spector
Alan C. Greenberg	Vincent Tese
Donald J. Harrington	Wesley S. Williams Jr.
Frank T. Nickell	

being all of the directors and constituting a quorum thereof. Messrs. Nickell, Novelly, Salerno, Schwartz and Tese participated in the meeting via teleconference in accordance with the By-laws. Also present were the following officers of TBSCI: Kenneth L. Edlow, Secretary; Jeffrey M. Lipman, Esq., Assistant Secretary; Samuel L. Molinaro Jr., Executive Vice President and Chief Financial Officer (via teleconference); and Michael S. Solender, Esq., General Counsel.

Mr. Cayne served as Chairman of the meeting and Mr. Edlow served as Secretary.

2. **Notice of the Meeting**

The Chairman welcomed everyone; stated that revised notice of the meeting was given on March 5, 2007; and directed that a copy of the notice be annexed to the minutes of the meeting.

3. **Approval of Minutes of TBSCI**

The first order of business was the approval of the minutes of the meeting of TBSCI's Board held on February 8, 2007, which minutes were, on motion, approved by a unanimous vote of the Board.

4. **Review of the Results of Operations of TBSCI for the Quarter Ended February 28, 2007**

The next order of business was a report by Mr. Molinaro on the results of operations for the first quarter of fiscal year 2007, which ended February 28, 2007. Made available to each director was a copy of the press release of TBSCI that was issued on March 15, 2007, containing the following information: unaudited Consolidated Statements of Income and Segment Data for the three-month periods ended February 28, 2007, February 28, 2006, and November 30, 2006.

Mr. Molinaro reported that net income for the first quarter ended February 28, 2007, amounted to \$553.7 million, or \$3.82 per diluted share versus \$514.2 million, or \$3.54 per diluted share, for the comparable period of the prior year. Mr. Molinaro reported that revenues, net of interest expense, for the first quarter of fiscal year 2007 increased 13.6% to \$2.482 billion from \$2.185 billion in the same period a year ago. Mr. Molinaro stated that net revenues by reported business segment in the first quarter of fiscal year 2007, in comparison with the first quarter of fiscal year 2006, changed as follows: Institutional Equities increased 2.6%; Fixed Income increased 26.7%; Investment Banking increased 2.6%; Global Clearing Services increased 4.6%; and Wealth

Management increased 13.6%. Mr. Molinaro reported that TBSCI's pre-tax profit margin decreased to 33.7% in the first quarter of fiscal 2007 from 34.4% in the first quarter of fiscal year 2006.

Mr. Molinaro reported that for the first quarter of fiscal year 2007, compensation expense as a percentage of net revenues was 48.5% while the annualized after-tax return on common stockholders' equity was 18.3%, but 18.6% for the trailing 12-month period ended February 28, 2007. Mr. Molinaro reported that TBSCI's common stock (the "Common Stock") book value was \$90.57 on February 28, 2007, while total capital, including stockholders' equity and long-term borrowings, stood at \$71.8 billion.

5. **Declaration of Quarterly Dividends on Preferred Stocks and Common Stock of TBSCI**

The next order of business was the declaration of cash dividends on TBSCI's outstanding 6.15% Cumulative Preferred Stock, 5.72% Preferred Stock, 5.49% Preferred Stock and the Common Stock. Mr. Cayne reported that TBSCI's Executive Committee had recommended a \$.32 Common Stock quarterly dividend. Mr. Cayne advised the Board that TBSCI had sufficient surplus to be able legally to make the dividend payments.

On motion duly made, seconded and unanimously carried, the following resolutions were adopted by the Board:

RESOLVED, that The Bear Stearns Companies Inc. ("TBSCI") pay on April 15, 2007, out of funds legally available therefor, a cash dividend on TBSCI's 6.15% Cumulative Preferred Stock, Series E, to holders of record on March 30, 2007 in the amount of \$3.075 per share (which is equivalent to \$.76875 per related Depository Share) for the quarterly period ending on April 15, 2007;

RESOLVED, that TBSCI pay on April 15, 2007, out of funds legally available therefor, a cash dividend on TBSCI's 5.72% Cumulative Preferred Stock, Series F, to holders of record on March 30, 2007 in the amount of \$2.860 per share (which is equivalent to \$.7150 per related Depository Share) for the quarterly period ending on April 15, 2007;

RESOLVED, that TBSCI pay on April 15, 2007, out of funds legally available therefor, a cash dividend on TBSCI's 5.49% Cumulative Preferred Stock, Series G, to holders of record on March 30, 2007 in the amount of \$2.745 per share (which is equivalent to \$.68625 per related Depository Share) for the quarterly period ending on April 15, 2007;

RESOLVED, that TBSCI pay on April 27, 2007 out of funds legally available therefor, a cash dividend on TBSCI's Common Stock, to holders of record on April 17, 2007, in the amount of \$.32 per share; and

RESOLVED, that any principal executive officer of TBSCI and any member of the Executive Committee of TBSCI be, and each hereby is, authorized, in the name and on behalf of TBSCI, to do and perform or cause to be performed such acts, to pay or cause to be paid such related costs and expenses, and to execute and deliver or cause to be executed and delivered such notices, requests, demands, directions, consents, approvals, orders, applications, certificates, agreements, undertakings, supplements, amendments, further assurances, or other instruments or communications, as such person may deem necessary or advisable in order to carry into effect the intent of the foregoing resolutions or to comply with the requirements of applicable law with respect to the payment of the dividends referred to in the foregoing resolutions.

6. Report of Compensation Committee

The next order of business was a report by Mr. Glickman, chairman of the Compensation Committee, on meetings of the Compensation Committee held on February 14, 2007 and March 9, 2007. Mr. Glickman reported that the Compensation Committee approved the formulae for the fiscal year 2007 bonus pools under The Bear Stearns Companies Inc. Performance Compensation Plan, Amended and Restated as of December 9, 2005 (the "PCP"), which covers 12 company executives. Mr. Glickman reported that the Compensation Committee approved the 2007 performance goals for the Capital Accumulation Plan for Senior Managing Directors. Mr. Glickman also reported that the Compensation Committee had recommended that the Board and, in turn, TBSCI's stockholders approve amendments to the Performance Compensation Plan, the Restricted Stock Unit Plan and the Stock Award Plan. Mr. Glickman reported that all of the Compensation Committee members had responded in their self-assessment questionnaires that they were satisfied with the performance and effectiveness of the Compensation Committee.

7. Approval of an Amendment to the Stock Award Plan

Next was the first of five agenda topics, all of which need to be voted on at TBSCI's 2007 Annual Meeting of Stockholders (the "2007 Annual Meeting") to be held on Wednesday, April 18, 2007, at 5:00 P.M. With respect to the first topic—the approval of an amendment to the Stock Award Plan—Mr. Solender reported that there only remained 4.18 million shares available for option issuance under the Stock Award Plan, or about a two-year supply. Mr. Solender, and the Compensation Committee, therefore recommended that the Board and, in turn, TBSCI's stockholders vote to increase the authorization of shares available for option grants to 45 million from 40 million under the Stock Award Plan in order to enhance TBSCI's flexibility in structuring incentive awards.

On motion duly made, seconded and unanimously carried, the following resolutions were adopted by the Board:

WHEREAS, for the following reasons the Board of Directors of The Bear Stearns Companies Inc. (the "Company") believes it to be in the Company's stockholders' best interests to increase from 40 million to 45 million the number of shares available for the grant of options under the Stock Award Plan:

1. The Company grants stock options to certain employees, including Executive Officers, in lieu of and not in addition to annual cash incentive compensation. Under the Company's performance-based compensation program employees receive a portion of their annual incentive compensation in the form of stock options in lieu of receiving all incentive compensation in the form of cash.
2. The Company addresses stockholder concerns regarding dilution through its share repurchase program. The Company has a well established repurchase program which it utilizes every year to reduce the effects of stockholder dilution for all of its annual grants pursuant to its equity-based compensation plans. In fiscal 2006, the Company purchased in excess of 10,000,000 shares under this repurchase program.
3. Stock options provide the Company with the flexibility necessary to recruit, retain and motivate key employees. The Company operates in a highly competitive marketplace, and would be at a disadvantage if it could not compensate its key employees using stock options.

4. The Company's use of stock options has been designed to align the interests of employees with the interests of the stockholders. All stock option grants have been made at the fair market value on the date of the related grants. Stock option grants made to members of the Executive Committee are subject to a three-year cliff vest.

5. If this amendment is not approved by stockholders the Company will have to reduce the use of stock options and increase the amount of either cash or other equity-based grants. The Company does not have a sufficient number of shares available under the current Stock Award Plan to continue its historical grant practices. Approximately 36 million of the shares available have been granted to date, and potentially the Company may be compelled to replace the compensation delivered in the form of stock options with cash compensation which would not be subject to any vesting.

NOW THEREFORE BE IT:

RESOLVED, that the text of Section 3.1 of the Stock Award Plan shall be amended, subject to stockholder approval at the Company's 2007 Annual Meeting of Stockholders, to read as follows:

"3.1 Number of Shares. Subject to the provisions of Paragraph 17 (relating to adjustments upon changes in capitalization), the number of shares of Common Stock subject at any one time to options granted under the Plan, plus the number of shares of Common Stock theretofore issued or delivered pursuant to the exercise of options granted under the Plan, shall not exceed 45,000,000 shares. If and to the extent that options granted under the Plan terminate, expire or are cancelled without having been exercised, new options may be granted under the Plan with respect to the shares of Common Stock covered by such terminated, expired or cancelled options; provided, that the granting and terms of such new options shall in all respects comply with the provisions of the Plan."

BE IT FURTHER:

RESOLVED, that a principal purpose be added to the agenda of the Company's 2007 Annual Meeting of Stockholders to be held on April 18, 2007, such purpose being a proposed amendment to the Stock Award Plan increasing the number of shares available for the grant of options to 45,000,000 from 40,000,000.

8. Approval of Amendments to the Capital Accumulation Plan

The next item of business was the approval of amendments to the Capital Accumulation Plan for Senior Managing Directors (the "CAP Plan"), but subject to the approval of stockholders at the 2007 Annual Meeting. Mr. Molinaro explained that the current definition of "Income Per Share" in the CAP Plan does not address with sufficient clarity the effect of transactions by unconsolidated subsidiaries on TBSCI's pre-tax income. Mr. Molinaro recommended that the Board and, in turn, stockholders of TBSCI approve a revision of the text of "Income Per Share" in the CAP Plan.

Moreover, Mr. Molinaro recommended that the CAP Plan be amended, also subject to TBSCI stockholder approval, to provide employee Participants with the right to vote and to tender their shares of Common Stock (currently 19.8 million, including prior-to-vesting shares) that are held in trust to satisfy obligations under the CAP Plan. Mr. Molinaro reported that several of TBSCI's competitors already have established trusts which allow their employees to vote the underlying shares related to restricted stock grants.

On motion duly made, seconded and unanimously carried, the following resolutions were adopted:

WHEREAS, for the following reasons the Board of Directors (the "Board") of The Bear Stearns Companies Inc. (the "Company") desires to amend the current definition of "Income Per Share" in the Capital Accumulation Plan for Senior Managing Directors (the "CAP Plan"), since the existing definition does not address with sufficient clarity the effect of transactions by unconsolidated subsidiaries on TBSCI's pre-tax income; and the Board believes it also to be in the best interests of the Company's stockholders for the CAP Plan to provide Participants with the right to vote and to tender common shares underlying their CAP Plan Units:

1. The Company grants CAP Units to certain employees in lieu of, and not in addition to, annual cash incentive compensation. Under the Company's performance-based compensation program certain employees receive a portion of their annual incentive compensation in the form of CAP Units in lieu of receiving all incentive compensation in the form of cash. The CAP Plan has allowed the Company to greatly expand the employee base that receives a portion of their annual incentive compensation in equity-

based compensation. Approximately 20% of the Company's workforce receives some form of equity-based compensation

2. The Company addresses stockholder concerns regarding dilution through its share repurchase program. The Company has a well established repurchase program which it utilizes every year to reduce the effects of stockholder dilution for all of its annual grants pursuant to its equity-based compensation plans. In fiscal 2006 the Company purchased in excess of 10,000,000 shares under this repurchase program.
3. CAP Units enhance the Company's ability to recruit, retain and motivate key employees. The Company operates in a highly competitive marketplace and would be at a disadvantage if it could not compensate its key employees using equity-based compensation. Typically firms in the Company's industry will incur significant costs to recruit employees from other firms. If the Company is not allowed to continue using CAP Units as a form of compensation delivered to its key employees, then the cost to competitors of recruiting the Company's employees will be greatly reduced.
4. The Company needs to clarify the definition of Income Per Share in order to clearly define the results of operation that are included in computing the Earnings Adjustment.
5. The Company's use of CAP Units has been designed to align the interests of employees with the interests of the stockholders. All CAP Units grants have been made at the fair market value on the date of the related grants and generally CAP Units grants are subject to three-year step vesting.
6. Providing the employees with the right to vote their shares will further align the interests of the employees and the stockholders, as the employees will have the right to participate in making decisions along with the stockholders. Several of the Company's competitors have established trusts which allow their employees to vote the underlying shares related to restricted stock grants.

NOW THEREFORE BE IT:

RESOLVED that the text for the definition of "Income Per Share" to be included in the CAP Plan shall be amended at the Company's 2007 Annual Meeting of Stockholders to read as follows:

"*Income Per Share*" for any Fiscal Year means the remainder of (a) adjusted income or loss before income taxes of the Company and its subsidiaries, and less (b) the adjusted net income amount applicable to common shares divided by the sum of (c) the number of shares of Common

Stock outstanding during such Fiscal Year which are included in the computation of Earnings Per Share as reported by the Company in its Annual Report during such Fiscal Year, (d) the number of CAP Units credited to the Capital Accumulation Accounts of all Participants included in the computation of Earnings Per Share as reported by the Company in its Annual Report, and (e) the aggregate number of Restricted Stock Units included in the computation of Earnings Per Share as reported by the Company in its Annual Report. For purposes of this Plan, adjusted income or loss before income taxes of the Company and its subsidiaries shall equal the sum of: (i) income or loss before income taxes as reported by the Company in its Annual Report; (ii) any charge or credit to income required in such Fiscal Year by reason of Earnings Adjustments pursuant to Section 5.2; (iii) the amounts of any pre-tax earnings or loss attributable to discontinued operations or extraordinary items; and (iv) pre-tax income or losses from unconsolidated subsidiaries unless such losses have been fully offset by related tax credits and deductions; less (v) the Adjusted Preferred Stock Dividend Requirement during such Fiscal Year; and may be decreased, but not increased, by (vi) an amount determined by the Board Committee in its sole discretion as appropriate to carry out the purposes of the Plan. For purposes of this Plan, adjusted net income applicable to common shares of the Company and its subsidiaries shall equal the sum of: (a) net income applicable to common shares as reported in the Company's Annual Report, (b) the effect of any charge or credit to income by reason of the Earnings Adjustment pursuant to Section 5.2, less (c) the amount recorded as tax credits and deductions related to any losses from unconsolidated subsidiaries which are excluded from the computation of adjusted income or loss before income taxes of the Company and its subsidiaries as provided above.

BE IT FURTHER:

RESOLVED, that the texts of all, or a portion, of Sections 2.1, 4.3, 6.6, 6.8, 7 and 8.3 of the Capital Accumulation Plan for Senior Managing Directors shall be amended, subject to stockholder approval at the Company's 2007 Annual Meeting of Stockholders, to read as follows:

The text for the definition of "Available Shares" to be included within Section 2.1 "Terms Defined" shall be amended to read as follows:

"Available Shares" means, with respect to any Fiscal Year or portion thereof, the sum of (a) the number of shares of Common Stock purchased by the Company in the open market or in private transactions or otherwise during such period that have not been previously allocated under the Plan and designated by the Board Committee at the time of purchase as having been purchased for issuance under the Plan with respect to the

Fiscal Year or portion thereof specified by the Board Committee, (b) the number of shares of Common Stock purchased prior to such Fiscal Year that were designated as Available Shares but were not allocated under the Plan which the Company makes available to the Plan subsequent to the period in which such shares were purchased and the Board Committee thereafter designates as Available Shares for issuance under the Plan with respect to the Fiscal Year or portion thereof specified by the Board Committee, and (c) the number of shares of Common Stock purchased by any trust or other arrangement established pursuant to Section 7 hereof on the open market, in private placement transactions or otherwise during such period.

The text for a new Section 4.3 will be as follows:

“4.3 Voting Rights. Awards, including outstanding Awards, may, at the discretion of the Appropriate Committee, provide a Participant with the right to instruct the voting of shares of Common Stock, including, without limitation, prior to vesting, held through any trust or other arrangement established pursuant to Section 7 hereof.”

The text of Section 6.6 will be amended to read as follows:

“6.6 Form of Payments. Except as otherwise provided herein, all distributions in respect of CAP Units to be made under the Plan shall be made in whole shares of Common Stock. Payment in respect of any fractional CAP Unit shall be made in cash based upon the Fair Market Value of a share of Common Stock on the second Business Day preceding the payment date. Shares of Common Stock distributed hereunder shall be treasury shares, shares of authorized but unissued Common Stock, shares held by any trust or other arrangement established pursuant to Section 7 hereof or a combination thereof, and shall be fully paid and nonassessable. If shares of Common Stock are distributed pursuant to Sections 6.1, 6.2(a) or 6.2(b) to any Participant, Beneficiary or Trustee after the record date for any cash dividend occurring after the Termination Date with respect to which such shares are distributed or, in the cases of Sections 6.2(a) or 6.2(b), after the end of the Fiscal Year in which the death or Disability of a Participant occurs, then such Participant (or his estate or Beneficiary) or Trustee shall be entitled to receive from the Company an amount of cash equal to the cash dividends per share payable to holders of record on such record date multiplied by the number of shares of Common Stock so distributed to such Participant after such record date. Where a payment is made under the Plan, the payment may be made at the discretion of the Company either to the Participant or by way of a contribution to any pension plan established by the Company of which the Participant is a member.”

The text of Section 6.8 will be amended to read as follows:

“6.8 *Reservation of Shares.* The Company, as soon as practicable after the Appropriate Committee grants Awards to Eligible Employees shall reserve, contribute to a trust or other arrangement established pursuant to Section 7 hereof, or direct any such trust or other arrangement to purchase such number of shares of Common Stock (which may be authorized but unissued shares or treasury shares) as shall be required so that the total of all shares reserved, contributed or purchased hereunder, including shares reserved, contributed or purchased pursuant to this Section 6.8 in preceding Fiscal Years, shall be equal to the number of shares of Common Stock which the Company would be obligated to issue in accordance with the terms of the Plan if the Plan were to be terminated at such time.”

The title of Section 7 will be renamed “Unfunded Status of the Plan” and the text will be replaced in its entirety with the following:

“7 *Unfunded Status of the Plan.* The Plan is intended to constitute an “unfunded” plan for long-term incentive compensation. With respect to any payments not yet made to a Participant by the Company, nothing herein contained shall give any Participant any rights that are greater than those of a general creditor of the Company. In its sole discretion, the Appropriate Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver shares of Common Stock to Participants; provided, however, that the existence of such trusts or other arrangements is consistent with the unfunded status of the Plan.”

The text of Section 8.3 will be amended to read as follows:

“8.3 *Purchase of Common Stock.* The Company intends to purchase shares of Common Stock in the open market or in private transactions or otherwise during the term of the Plan for issuance to Participants in accordance with the terms hereof and may sell or contribute any such shares to any trust or other arrangement established pursuant to Section 7 hereof. The trustee under any trust or under any other arrangement may also purchase shares of common stock on behalf of the trust or other arrangement in the open market or in private transactions. Shares of Common Stock shall be purchased for purposes of the Plan on a combined or joint basis without identifying shares so purchased as having been purchased for this Plan. Notwithstanding the foregoing, the Company will specifically designate all such shares at the time they are purchased as having been purchased for the purpose of making determinations under this Plan; *provided, however,* that any shares purchased or held by the Company shall be the sole property of the Company and shares purchased

by, sold to or contributed to any trust or other arrangement established pursuant to Section 7 hereof shall be the sole property of the trust or other arrangement and no Participant, Beneficiary or Trustee shall have any right, title or interest whatsoever in or to any such shares. All shares of Common Stock purchased by the Company on or after July 1, 1992 and designated by the Company as having been purchased for the CAP Plan shall be considered, notwithstanding such designation, to have been purchased for purposes of this Plan. The acquisition of Common Stock as described above by the Company will be subject to the sole discretion of the Board Committee, which shall determine the time and price at which and the manner in which such shares are to be acquired, subject to applicable law.”

NOW THEREFORE BE IT:

RESOLVED, that a principal purpose be added to the agenda of the Company’s 2007 Annual Meeting of Stockholders to be held on April 18, 2007, such purpose being adoption of the proposed amendments to the CAP Plan revising the text of “Income Per Share.”

9. **Approval of Amendments to the Restricted Stock Unit Plan**

The next order of business was the approval of amendments to the Restricted Stock Unit Plan (the “RSU Plan”), subject to stockholder approval at the 2007 Annual Meeting. Mr. Solender reported that the Compensation Committee had recommended that the Board recommend that TBSCI’s stockholders approve an increase from 15 million to 25 million in the number of TBSCI common shares subject to award to employees under the RSU Plan. Mr. Solender also reported that the Compensation Committee had recommended that participants in the RSU Plan be permitted to vote and to tender their TBSCI shares of Common Stock held in trust to satisfy obligations under the RSU Plan, which currently total 6.86 million. Mr. Solender reported that there was only about a one-year’s supply of RSU Plan units available for award to employees, all of whom function below the level of Senior Managing Director, and that the increased authorization would enhance TBSCI’s flexibility in structuring incentive awards by facilitating future stock grants.

On motion duly made, seconded and unanimously carried, the following resolutions were adopted by the Board:

WHEREAS, for the following reasons the Board of Directors (the "Board") of The Bear Stearns Companies Inc. (the "Company") believes it to be in the best interests of the Company's stockholders to increase the aggregate number of shares available for the grant of Restricted Stock Units ("RSUs") under the Restricted Stock Unit Plan (the "RSU Plan") in order to enhance the Company's flexibility in structuring incentive awards by facilitating future stock grants; and

WHEREAS, the Board believes it to be in the best interests of the Company's stockholders to provide employees with the right to vote and to tender common shares underlying their RSUs, the Board recommends that stockholders at the Company's 2007 Annual Meeting approve amendments Sections 3.1, 3.2 and 5.10 of the RSU Plan:

1. The Company grants RSUs to certain employees in lieu of, and not in addition to, annual cash incentive compensation. Under the Company's performance-based compensation program certain employees receive a portion of their annual incentive compensation in the form of RSUs in lieu of receiving all incentive compensation in the form of cash. The RSU Plan has allowed the Company to greatly expand the employee base that receives a portion of their annual incentive compensation in equity-based compensation. Approximately 20% of the Company's workforce receives some form of equity-based compensation.
2. The Company addresses stockholder concerns regarding dilution through its share repurchase program. The Company has a well established repurchase program which it utilizes every year to reduce the effects of stockholder dilution for all of its annual grants pursuant to its equity-based compensation plans. In fiscal 2006 the Company purchased in excess of 10,000,000 shares under this repurchase program.
3. RSUs enhance the Company's ability to recruit, retain and motivate key employees. The Company operates in a highly competitive marketplace and would be at a disadvantage if it could not compensate its key employees using equity-based compensation. Typically firms in the Company's industry will incur significant costs to recruit employees from other firms. If the Company is not allowed to continue using RSUs as a form of compensation delivered to its key employees, then the cost to competitors of recruiting the Company's employees will be greatly reduced.
4. The Company's use of RSUs has been designed to align the interests of employees with the interests of the stockholders. All RSU

grants have been made at the fair market value on the date of the related grants and generally RSU grants are subject to three-year step vesting.

5. If this proposal is not approved by stockholders the Company will have to reduce the use of RSUs and increase the amount of either cash or other equity-based grants. The Company does not have a sufficient number of shares available under the current RSU Plan to continue its historical grant practices. Approximately 13.5 million of the shares available have been granted to date, and potentially the Company may be compelled to replace the compensation delivered in the form of RSUs with cash compensation which would not be subject to any vesting.

6. Providing the employees with the right to vote their shares will further align the interests of the employees and the stockholders, as the employees will have the right to participate in making decisions along with the stockholders. Several of the Company's competitors have established trusts which allow their employees to vote the underlying shares related to restricted stock grants. If these amendments are approved by stockholders, the Company may establish a trust and fund shares of Common Stock into the trust in order to satisfy its obligations with respect to outstanding RSUs and may continue to fund the trust with shares underlying all additional RSUs granted in the future. If such a determination is made, holders of RSUs would have the right to instruct the trustee as to how to vote the underlying Common Stock whenever a vote of the stockholders is taken. If these amendments were in effect as of January 31, 2007 and the Company funded, through a trust, its obligations under the RSU Plan with respect to all outstanding RSUs, then employees in the RSU Plan would have had the right to vote approximately 6.8 million shares of the Company's outstanding Common Stock based on their RSU ownership.

NOW THEREFORE BE IT:

RESOLVED, that the texts of Section 3.1, Section 3.2 and Section 5.10 of the Restricted Stock Unit Plan shall be amended, subject to stockholder approval at the Company's 2007 Annual Meeting of Stockholders, to read as follows:

"3.1 *Number of Shares*. Subject to the adjustment provisions of Section 3.3, the number of shares of Common Stock that may be issued or delivered in connection with awards of Restricted Stock Units under the Plan shall not exceed 25,000,000 shares. The Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting and make adjustments if the number of shares actually delivered differs from the number of shares previously counted in connection with an Award. Shares subject to an Award that is cancelled, expired, forfeited, settled in cash or otherwise terminated without a

delivery of shares to the participant will again be available for Awards, and shares withheld or surrendered in payment of the taxes relating to an award shall be deemed to constitute shares not delivered to the participant and shall be deemed again to be available for Awards under the Plan.”

“3.2 *Character of Shares; Reservation of Shares.* Shares of Common Stock delivered under the Plan shall be issued Common Stock held in the Company’s treasury, shares held by any trust or other arrangement established pursuant to Section 5.10 hereof or a combination thereof. At all times, the Company shall have reserved for awards under the Plan or shall have contributed to, or cause to be purchased by, any such trust or other arrangement the number of shares of Common Stock to be issued under this Plan equal to the maximum number of shares set forth in Section 3.1, reduced by such number of shares that have been previously issued or delivered as a result of this Plan.”

“5.10 *Trusts.* The Committee may, in its discretion, establish one or more trusts or other arrangements and deposit therein amounts of cash, Common Stock, or other property to meet the obligations created under the Plan to deliver shares of Common Stock to participants; provided, however, that the existence of such trusts or other arrangements is consistent with the unfunded status of the Plan. In such case, the amounts of hypothetical income and appreciation and depreciation in value of such account shall be equal to the actual income on, and appreciation and depreciation of, the assets in such trust(s). Other provisions of the Plan notwithstanding, the timing of allocations and other events relating to assets in such account may be varied to reflect the timing of allocations and events relating to actual investments of the assets of such trust(s). To the extent that shares of Common Stock held by a trust or other arrangement established pursuant to this Section 5.10 are allocated to a participant’s Restricted Stock Units, the participant shall have the right, subject to applicable law, to instruct the trustee of such trust or similar arrangement with respect to the exercise of voting rights on such allocated shares and as to whether (or not) to tender or exchange any such allocated shares in any tender or exchange offer in accordance with the instruments governing such trust or other arrangement as in effect from time to time.”

BE IT FURTHER:

RESOLVED, that a principal purpose be added to the agenda of the Company’s 2007 Annual Meeting of Stockholders to be held on April 18, 2007, such purpose being adoption of the proposed amendments to the RSU Plan increasing the number of shares to 25,000,000 from 15,000,000 and to provide voting rights to RSU Plan Participants through a trust arrangement.

10. **Approval of the 2007 Performance Compensation Plan**

The next order of business was the approval of the 2007 Performance Compensation Plan (the “2007 Plan”). Mr. Solender reported that the Compensation Committee was recommending that the Performance Compensation Plan adopted in 1996 (the “1996 Plan”) be replaced by an updated 2007 Plan. Mr. Solender stated that the 2007 Plan would allow an individual Participant’s compensation to be a maximum of 2.5% of TBSCI’s consolidated pre-tax earnings in the related fiscal year. Mr. Solender stated that this new 2.5% upper limit would be in lieu of \$165 million and \$140 million bonus-pool limits imposed by the 1996 Plan. Mr. Solender stated that the 2007 Plan would provide the flexibility for adding employees as 2007 Plan Participants and would help to ensure that Participants’ compensation is tax deductible to TBSCI, especially in view of pending legislation in Congress.

On motion duly made, seconded and unanimously carried, the following resolutions were adopted by the Board:

WHEREAS, the Board of Directors (the “Board”) of The Bear Stearns Companies Inc. (the “Company”) believes it to be in the best interests of the Company’s stockholders to replace the Company’s 1996 Performance Compensation Plan with a 2007 Performance Compensation Plan—in order to continue to comply with the requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended, as well as based on current proposed legislation that may expand the definition of covered employees under Section 162(m), and in order to enhance the Board’s flexibility for adding Participants to the 2007 Performance Compensation Plan;

NOW THEREFORE BE IT:

RESOLVED, that the Board recommends that the stockholders at the Company’s 2007 Annual Meeting of Stockholders adopt the 2007 Performance Compensation Plan (attached hereto) that will replace the Company’s Performance Compensation Plan that was originally adopted in 1996.

RESOLVED, that a principal purpose be added to the agenda of the Company’s 2007 Annual Meeting of Stockholders to be held on April 18,

2007, such purpose being the adoption of the 2007 Performance Compensation Plan.

11. Consideration of a Stockholder Proposal

The next order of business was the consideration of a stockholder proposal introduced by the United Brotherhood of Carpenters Pension Fund. Mr. Solender reviewed the reasons why management of TBSCI was recommending to the Board that it, in turn, recommend to TBSCI's stockholders that they vote against the Carpenter's proposal to establish a pay-for-superior-performance compensation standard. Mr. Solender stated that this standard would require TBSCI to incorporate into its senior executive compensation plan a "pay-for-superior-performance standard," which would only award a bonus on long-term compensation when TBSCI's performance exceeded that of its peers' median or mean performance. Mr. Solender further reported that TBSCI had received SEC no-action letters with respect to two other stockholder proposals that would, therefore, not be on the agenda of the 2007 Annual Meeting.

After discussion, on motion duly made, seconded and unanimously carried, the following resolutions were adopted by the Board:

RESOLVED, that the Board of Directors of The Bear Stearns Companies Inc. (the "Company") recommends that the Company's stockholders vote against the United Brotherhood of Carpenters Pension Fund pay-for-superior-performance standard being presented at the Company's 2007 Annual Stockholders Meeting for the following reasons:

1. The Board believes that the Company's current compensation program provides for a strong link between executive compensation and both current and long-term levels of performance. The Company has had a compensation program in place for over ten years whereby the members of the Executive Committee receive a relatively low base salary during the year, and at the end of the year they receive an annual incentive award pursuant to the Performance Compensation Plan. During this period, the incentive compensation paid to the members of the Executive Committee has been based on an annual bonus pool which is computed using after-tax return on common equity. The annual bonus pool is then allocated to the members of the Executive Committee based on percentages determined by the Compensation Committee during the first 90 days of the related fiscal

year. This allocation is based on a variety of factors, including but not limited to, an assessment of each individual's relative contributions to the success of the Company, the scope of each individual's role in the Company, competitive market forces and benchmarking information on compensation paid to employees in similar roles at the Company's peers. The Compensation Committee then determines how much of the allocated pool is going to be paid to the individuals at the end of the year based on the results of the Company, the contributions made by each of the individuals during the year and competitive market forces. The Compensation Committee is allowed to exercise negative discretion and reduce the amounts calculated under the annual bonus pool, but they are restricted from either paying aggregate bonuses in excess of the annual bonus pool or from transferring a bonus payment from one participant in the annual bonus pool to another.

2. Since fiscal 2000, the members of the Executive Committee have been required to receive such incentive compensation in the form of cash, stock options and CAP Units. The percentage of incentive compensation delivered in both stock options and CAP Units has been approximately 50% over the last six years. The ultimate value that the members of the Executive Committee will derive from both stock options and CAP Units is based on the performance of the Company's Common Stock.

3. The Board believes that the compensation program already effectively aligns the interests of the members of the Executive Committee with those of the Company's stockholders. Pursuant to the Performance Graph contained in the Company's 2007 Proxy Statement, the Company has clearly outperformed its peer group, the S&P 500 Investment Banking & Brokerage Index and the S&P 500 Index during the past five years.

4. In addition, the Board believes that this stockholder proposal would harm the Company's ability to attract, retain and motivate talented executive officers who are essential for creating and sustaining long-term stockholder value. The Company needs to have the flexibility to use the same compensation tools used by its competitors in order to respond to market pressures and to tailor incentive compensation to the Company's business goals. This proposal would place the Company at a disadvantage in retaining executive officers as it would limit the amount of compensation that the Compensation Committee could award to the Company's executive officers based on the actions of its competitors. This proposal would remove the business judgment required to properly calibrate the amount of compensation to be paid to executive officers. A strict adherence to a formula which measures certain financial metrics can not be developed to fit all members of a peer group, especially in the Company's industry as it does not address whether or not the members of the peer group have taken on more risk to achieve their results. The performance of the Company's peers may bear no relation to the performance of the Company as they may have different business objectives. In addition, relying solely on a measurement of performance measured against the performance of peers may lead to an unanticipated result as the Company may outperform during a down market which may force it to overcompensate its executive officers.

12. Report of Audit Committee

The next order of business was a report by Vincent Tesc, chairman of the Audit Committee (the "AC"), on an AC meeting held on March 14, 2007. Mr. Tese reported that at this AC meeting, Mr. Molinaro and Jeffrey Farber, Senior V.P.-Finance and Controller, discussed the draft press release containing TBSCI's results for the quarter ended February 28, 2007. Mr. Tesc reported that at the AC meeting Mr. Molinaro and Mr. Farber addressed significant financial reporting issues and judgments made. Mr. Tese reported that representatives from Deloitte & Touche discussed its review procedures of TBSCI's first quarter earnings and expressed its concurrence with the financial reporting issues and judgments made, which had been advocated by Mr. Molinaro and Mr. Farber. Finally, Mr. Tese stated that the AC also approved certain projects to be performed by Deloitte & Touche.

13. **Report on Litigation and Investigations**

The next order of business was a report by Mr. Solender on pending investigations and litigations.

Redacted for Privilege

14. **Adoption of the Finance and Risk Committee Charter**

The next order of business was the adoption of the Finance and Risk Committee Charter. Mr. Cayne reminded the Board that it had established a TBSCI Finance and Risk Committee on January 10, 2007, to oversee TBSCI's risk profile.

On motion duly made, seconded and unanimously carried, the following resolution was approved:

RESOLVED, that The Bear Stearns Companies Inc. hereby adopts the Finance and Risk Committee Charter (attached hereto).

15. **Adoption of the Revised Audit Committee Charter**

The next order of business was the adoption of the revised Audit Committee Charter. Mr. Tese reviewed the changes from the existing Audit Committee Charter that mainly pertained to the shifting of certain risk monitoring responsibilities to the Finance and Risk Committee. Mr. Tese reported that the Audit Committee was recommending approval by the Board of the revised Audit Committee Charter.

On motion duly made, seconded and unanimously carried, the following resolution was approved:

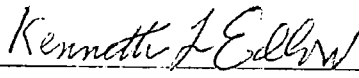
RESOLVED, that The Bear Stearns Companies Inc. ("TBSCI") hereby adopts the revised Audit Committee Charter dated February 8, 2007 (attached hereto), which action has been recommended to the Board of Directors of TBSCI by its Audit Committee.

16. **Chairman's Remarks**

The Chairman reported that TBSCI had invited presidential candidates to address the firm's Senior Managing Directors, and that Hillary Clinton, Christopher Dodd and Rudi Giuliani had already made presentations.

17. **Adjournment**

Mr. Cayne reminded the non-employee directors that an executive session would commence immediately after the Board meeting. There being no further business to come before the meeting, it was, on motion, adjourned at 8:50 A.M.



Kenneth L. Edlow
Secretary