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Bear Stearns Board of Directors Minutes

Henry S. Bienen

Carl D. Glickman

Michael Goldstein

Alan C. Greenberg

Donald J. Harrington

See next page for additional authors

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Author/Creator

Henry S. Bienen, Carl D. Glickman, Michael Goldstein, Alan C. Greenberg, Donald J. Harrington, Frank T. Nickell, Frederic V. Salerno, Alan D. Schwartz, Vincent Tese, Wesley S. Williams Jr., Sam Molinaro, Jeffrey Mayer, Peter J. Wallison, Kenneth L. Edlow, Jeffrey M. Lipman, Robert Upton, Lawrence Alletto, and Lawrence E. Rogers

THE BEAR STEARNS COMPANIES INC.

**Minutes of Regular Meeting of
Board of Directors – September 18, 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 Madison Avenue, New York, New York on September 18, 2007, beginning at 4:30 P.M.

1. **Attendance and Organization**

The following directors were present:

Henry S. Bienen
Carl D. Glickman
Michael Goldstein
Alan C. Greenberg
Donald J. Harrington

Frank T. Nickell
Frederic V. Salerno
Alan D. Schwartz
Vincent Tese
Wesley S. Williams Jr.

being ten of the directors and constituting a quorum thereof (with Mr. Cayne and Mr. Novelly absent and Messrs. Bienen, Glickman and Salerno participating via teleconference). Also present were the following officers of TBSCI: Samuel Molinaro, Jr., Chief Financial Officer, Chief Operating Officer and Executive Vice President; Jeffrey Mayer, Executive Vice President (for item 4); Michael Solender, Esq., General Counsel; Kenneth L. Edlow, Secretary; Jeffrey M. Lipman, Esq., Assistant Secretary; and Robert Upton, Assistant Treasurer (for item 5). Also present were the following Senior Managing Directors of Bear, Stearns & Co. Inc.: Lawrence Alletto (for item 4) and Lawrence E. Rogers (for items 6 and 7).

Mr. Tese (in his capacity as Lead Director) acted as Chairman of the meeting and Mr. Edlow served as Secretary.

2. **Notice of the Meeting**

The Chairman welcomed everyone to the meeting and stated that notice of the meeting was given on August 21, 2007, directing that a copy of the notice be annexed to the minutes of the meeting.

3. **Review of the Results of Operations of the Corporation for the Quarter Ended August 31, 2007**

The first order of business was a report by Mr. Molinaro on the results of operations for the third quarter of fiscal year 2007, which ended August 31, 2007. Made available to each director was a copy of a draft press release of TBSCI (with the final release on September 20, 2007) containing the following information: unaudited Consolidated Statements of Income and Segment Data spanning the three-month and nine-month periods ended August 31, 2007, May 31, 2007, and August 31, 2006.

Mr. Molinaro reported that net income for the third quarter ended August 31, 2007 (as contained in the final press release) amounted to \$171.3 million, or \$1.16 per diluted share versus \$438 million, or \$3.02 per diluted share, for the comparable period of the prior year. Mr. Molinaro reported that revenues, net of interest expense, for the third quarter of fiscal year 2007 decreased to \$1.33 billion from \$2.13 billion in the same period a year ago. Mr. Molinaro stated that net revenues by reported business segment in the third quarter of fiscal year 2007, in comparison with the third quarter of fiscal year 2006, changed as follows: Institutional Equities increased 52.7%; Fixed Income decreased 87.6%; Investment Banking decreased 8.8%; Global Clearing Services increased 30.0%; and Wealth Management decreased \$261 million to a negative \$38 million. Mr. Molinaro reported that the TBSCI's pre-tax profit margin decreased to 13.1% in the third quarter of fiscal 2007 from 31.3% in the third quarter of fiscal year 2006.

Mr. Molinaro reported, that for the third quarter of fiscal year 2007, compensation expense as a percentage of net revenues was 49.9% and that the annualized after-tax return on common stockholders' equity was 5.3% versus 13.7% for the trailing 12-month period ended August 31, 2007. Mr. Molinaro reported that TBSCI's Common Stock (the "Common Stock") book value declined to \$91.82 on August 31, 2007, while total capital, including stockholders' equity and long-term borrowings, stood at \$78.1 billion.

4. **Report on the Fixed Income Markets and Leverage Finance**

The next item of business was a report on the fixed income markets by Mr. Mayer and the leverage finance business by Mr. Alletto. Mr. Mayer focused on the turbulence that occurred in the fixed income markets during TBSCI's third quarter by highlighting the re-pricing of corporate credits; the impact of rising delinquency rates and reduced home prices on the market for mortgage securities; and, the general crisis of confidence impacting CLOs, CDOs, SIVs and the commercial paper markets. Mr. Mayer reported that TBSCI's Mortgage Dept. was being downsized in line with the diminished mortgage-origination operating environment. Mr. Alletto addressed TBSCI's leverage loan commitments and inventory; he distributed a three-page schedule of inventory positions to which he referred. Mr. Molinaro stated that TBSCI had taken no writedowns on its Cablevision or Hilton Hotel commitments.

5. **Report on TBSCI's Liquidity**

The next item of business was a report by Mr. Upton on TBSCI's liquidity position; his report was accompanied by a three-page handout entitled "Funding and Liquidity Update," dated September 18, 2007. Mr. Upton's presentation covered TBSCI's unsecured funding; its debt maturity profile; its unencumbered collateral and cash-equivalent pool; and its overnight secured

exposures. Mr. Upton stated, in response to a question, that TBSCI was unable to borrow on mortgage inventory from the FHLB through TBSCI's subsidiary Custodial Trust Co.

6. **Report on TBSCI's 2007 Trust**

The next item of business was a report by Mr. Rogers on a proposal to establish The Bear Stearns Companies Inc. 2007 Trust, (the "Trust") a voting trust initially designed to hold 25.5 million shares of TBSCI Common Stock pending distribution of the shares to either CAP Plan or RSU Plan participants. In connection with the Trust, Mr. Rogers distributed the following materials: (i) a Trust term sheet, (ii) a draft Trust agreement, (iii) a legal opinion from the law firm of Morris, Nichols, Arsht & Tunnell, and (iv) a tax opinion from the law firm of Baker & McKenzie. Mr. Rogers stated that the primary purpose of the Trust was to allow CAP Plan and RSU Plan participants to vote their shares at TBSCI's future stockholder meetings.

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

WHEREAS, The Bear Stearns Companies Inc. (the "Company") has in place certain compensation plans, including The Bear Stearns Companies Inc. Capital Accumulation Plan for Senior Managing Directors and The Bear Stearns Companies Inc. Restricted Stock Unit Plan (each referred to herein as a "Plan" and collectively referred to herein as "Plans");

WHEREAS, the Company has incurred liability under the terms of the Plans with respect to awards made to certain individuals participating in the Plans that will result in the payment of shares of common stock, \$1.00 par value per share, of the Company;

WHEREAS, the Company wishes to establish a trust (the "Trust") for the purpose of holding all of the shares of common stock underlying awards granted pursuant to the Plans and to contribute and/or sell to the Trust shares of common stock to be held therein;

WHEREAS, the Board of Directors has received and reviewed a draft of The Bear Stearns Companies Inc. 2007 Trust Agreement (the "Trust Agreement");

WHEREAS, the shares of common stock to be issued to the Trust relate to awards previously granted under the Plans to Company employees for services rendered; and

WHEREAS, the Company's stockholders have approved the issuance of shares of common stock pursuant to the terms of the Plans.

NOW, THEREFORE, BE IT

RESOLVED, that the Trust Agreement be, and it hereby is, authorized and approved, and that the members of the Executive Committee be, and each of them hereby is, authorized, empowered and directed, in the name and on behalf of the Company, to finalize, execute and deliver the Trust Agreement, with such changes, amendments or other modifications thereto as such members of the Executive Committee may approve, the authority for such changes to be conclusively evidenced by such execution; and

FURTHER RESOLVED, that it is in the best interests of the Company to implement the Trust; and that the Authorized Officers (as defined below) be, and each of them hereby is, authorized, empowered and directed, in the name and on behalf of the Company, to form or cause to be formed, the Trust for the purpose of holding shares of common stock granted pursuant to the Plans; and

FURTHER RESOLVED, that the Wilmington Trust Corporation, a Delaware corporation, be, and hereby is, selected to act as trustee for the Trust; and

FURTHER RESOLVED, that the Company does hereby authorize and approve the issuance to the Trust pursuant to the terms of the Plans of up to 25,500,000 shares of the common stock of the Company, par value \$1.00 per share; and

FURTHER RESOLVED, that upon issuance, in accordance with the Trust Agreement and the Plans, such shares of common stock shall be validly issued, fully paid and nonassessable; and

FURTHER RESOLVED, that the Authorized Officers be, and each of them hereby is, authorized, empowered and directed, in the name and on behalf of the Company, to execute and file such application or applications, and amendments and supplements thereto, and other papers, pay any and all applicable listing fees, and take such other action as may be necessary or desirable to list the shares on the New York Stock

Exchange (the "NYSE"); and the execution by such Authorized Officers of any such paper or agreement or the doing by them of any act in connection with the foregoing matters shall conclusively establish their authority therefor from the Company and the approval and ratification by the Company of the papers so executed and the action so taken; and

FURTHER RESOLVED, that all actions previously taken by any Authorized Officer, in the name and on behalf of the Company, pursuant to the intent of all of the foregoing resolutions be, and the same hereby are, adopted, ratified, confirmed and approved in all respects as the acts and deeds of the Company;

FURTHER RESOLVED, that any principal executive officer of the Company and any member of the Executive Committee or the Management & Compensation Committee of the Company (each, an "Authorized Officer") be, and each of them hereby is, authorized, empowered and directed, in the name and on behalf of the Company, to do or perform, or cause to be done or performed, such other acts, and to execute and deliver, or cause to be executed and delivered, any and all other notices, certificates or other instruments or documents as they, or any of them, may deem necessary or proper in order to carry into effect the intent of the foregoing resolutions; and

FURTHER RESOLVED, that each of the foregoing resolutions shall be subject to the Company's receipt of legal opinions in form acceptable to the Authorized Officers and necessary regulatory approvals relating to the Trust and the issuance of shares to the Trust.

7. **Increase in Stock Repurchase Program Buying Authorization**

The next order of business was consideration of a proposal to increase the Common Stock repurchase buying authorization. Mr. Molinaro reported that TBSCI's management had recommended that the Board of Directors approve an increase in the TBSCI Stock Repurchase Program Common Stock buying authorization, bringing the unused authorization up to \$2.5 billion. Mr. Molinaro explained that the recommendation to acquire an additional \$2.5 billion of Common Stock was based on the desire to mitigate the dilutive effect caused by the issuance of equity-based units and options (covering approximately \$1.5 billion) and \$1 billion for the TBSCI corporate treasury. Mr. Molinaro said that the Common Stock purchases would be made periodically in fiscal

year 2007 or beyond in the open market or through privately negotiated transactions. Mr. Rogers reported that approximately \$1.278 billion had been expended to purchase approximately 8.666 million shares of Common Stock at an average price of \$147.37 per share under the pre-existing \$2.0 billion authorization. Mr. Molinaro, in answer to a question, stated that the rating agencies would be kept abreast of these contemplated stock purchases. Mr. Molinaro recommended the \$2.5 billion Common Stock repurchase recommendation on the belief that: TBSCI was overcapitalized and it will have reduced future capital demands from its mortgage business and from its leverage finance business. Mr. Rogers distributed four pages of data supporting the \$2.5 billion share repurchase recommendation. It was the consensus of the Board that purchases be made cautiously taking account of financial market conditions and TBSCI's liquidity profile.

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

WHEREAS, The Bear Stearns Companies Inc. ("TBSCI") has expended approximately \$1.277 billion to purchase Common Stock pursuant to the \$2.0 billion Stock Repurchase Program authorization that was approved on December 13, 2006; and

WHEREAS, it is in the best interest of TBSCI to continue and expand the Stock Repurchase Program;

THEREFORE BE IT

RESOLVED, that TBSCI hereby amends its Stock Repurchase Program to authorize the purchase (in addition to the shares previously purchased) of up to \$2.5 billion in aggregate cost of Common Stock from time to time at prices then prevailing;

RESOLVED, that all purchases of shares pursuant to the Stock Repurchase Program shall continue to be made at the direction of a Repurchase Committee consisting of James E. Cayne (Chairman) and Samuel L. Molinaro Jr. acting by the majority decision of those members of the Repurchase Committee present at the time a determination is made to purchase shares (which may be one);

RESOLVED, that all purchases made under the Stock Repurchase Program shall be in addition to any shares purchased pursuant to the Capital Accumulation Plan for Senior Managing Directors (the "CAP Plan") and the Restricted Stock Unit Plan (the "RSU Plan"), and that purchases under the Stock Repurchase Plan, the CAP Plan, and the RSU Plan be coordinated in such a manner as to comply with Rule 10b-18 of the General Rules and Regulations of the Securities Exchange Act of 1934, as amended, and all other requirements of law and the New York Stock Exchange governing the repurchase of shares;

RESOLVED, that to the extent the Repurchase Committee determines to make purchases of Common Stock pursuant to the Stock Repurchase Program at a time when purchases would also be made pursuant to the CAP Plan and the RSU Plan, such purchases shall be allocated based on an average price between the Stock Repurchase Plan, the CAP Plan and the RSU Plan until the outstanding purchase orders of all of the plans have been satisfied;

RESOLVED, that all purchases pursuant to the Stock Repurchase Program be made from time to time out of the surplus of TBSCI, that the shares so purchased shall be held in the treasury of TBSCI and that such shares be made available from time to time for issuance in such manner as may be determined by the Board of Directors; and

RESOLVED, that the appropriate officers of TBSCI be, and each of them hereby is, authorized and empowered, in the name and on behalf of TBSCI, to take all such action and make all such payments as in their judgment or the judgment of any of them so acting may be, or be deemed to be, necessary or advisable to give effect to the foregoing resolutions.

8. **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 Common Stock. Mr. Tese reported that the Executive Committee had recommended that a 32 cents per share Common Stock quarterly dividend be declared. Mr. Tese advised the Board that TBSCI had sufficient surplus to legally be able 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 October 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 September 28, 2007 in the amount of \$3.075 per share (which is equivalent to \$.76875 per related Depository Share) for the quarterly period ending on October 15, 2007;

RESOLVED, that TBSCI pay on October 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 September 28, 2007 in the amount of \$2.860 per share (which is equivalent to \$.7150 per related Depository Share) for the quarterly period ending on October 15, 2007;

RESOLVED, that TBSCI pay on October 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 September 28, 2007 in the amount of \$2.745 per share (which is equivalent to \$.68625 per related Depository Share) for the quarterly period ending on October 15, 2007;

RESOLVED, that TBSCI pay on October 26, 2007 out of funds legally available therefor, a cash dividend on TBSCI's Common Stock, to holders of record on October 16, 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.

9. **Approval of Minutes of TBSCI**

The next order of business was the approval of the minutes of the meetings of TBSCI's Board of Directors held on June 13 and 23, 2007, and August 9, 2007, which minutes were, on motion, approved by a unanimous vote of the Board.

10. **Report of the Compensation Committee**

The next order of business was a report by Mr. Tese on the meeting of the Compensation Committee held on August 9, 2007. Mr. Tese reported that the Compensation Committee approved various matters related to the Forward Purchase Agreements that were scheduled to be entered into with CAP Plan and RSU Plan distributees. In addition, Mr. Tese reported that the Compensation Committee discussed the terms of Warren Spector's termination-of-employment agreement.

11. **Report on Pending Litigations and Investigations**

The next order of business was a report by Mr. Solender on pending litigation and regulatory matters involving TBSCI.

Redacted for Privilege

12. **Direct Registration System**

The next item of business was a report by Mr. Solender on a recently adopted NYSE rule that would move toward a certificate-free environment. Mr. Solender reported that **Redacted for Privilege**

Redacted for Privilege

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

WHEREAS, The Bear Stearns Companies Inc. ("TBSCI") desires to have the flexibility to convert to a stock-certificate-free environment utilizing a book-entry system under the Direct Registration System.

THEREFORE BE IT

RESOLVED, that the Board of Directors of TBSCI hereby approves the amendments to Sections 7.1, 7.2, 7.4, 7.5 and 7.6 under Article 7 of the By-laws of TBSCI as set forth in the attached blacklined draft document, such amendments to be effective if and when TBSCI's Executive Committee determines that TBSCI shall participate in the Direct Registration System, and

BE IT FURTHER

RESOLVED, that the Board of Directors of TBSCI hereby grants the Executive Committee of TBSCI the authority to determine if and when TBSCI shall participate in the Direct Registration System.

13. Report of the Executive Committee

The next item of business was a report by Mr. Greenberg on the activities of the Executive Committee. Mr. Greenberg reported that the Executive Committee had met on 35 occasions between May 18, 2007 and August 24, 2007. Mr. Greenberg reported that the Executive Committee had approved separate corporate loan commitments totaling approximately \$28 billion, which included takeover loans, revolving credit facilities, bank facilities and liquidity facilities. Mr. Greenberg predicted that most of these commitments would never be drawn down because the underlying deals never close, because TBSCI loses the business to a competitor, or because even when the underlying transaction takes place, TBSCI's portion of the loan extension winds up being significantly less than the original commitment. As an illustration, Mr. Greenberg reported that during the third quarter of 2007, Bear Stearns actually contracted to provide a total of only \$7.5 billion of bank and bridge financings. Mr. Greenberg also reported that the Executive Committee had approved various parent company guarantees to support business done by its subsidiaries. Mr. Greenberg further reported that the Executive Committee had approved the registration and sale of various issues of TBSCI's securities and a revolving credit facility. Mr. Greenberg reported that the Executive Committee had received briefings on litigations and investigations and briefings from risk managers concerning TBSCI's proprietary exposures.

14. Report of the Audit Committee

The next order of business was a report by Mr. Tese on the Audit Committee meetings that were held on July 9, 2007 and September 18, 2007. Mr. Tese reported that the Audit Committee had received reports from various Senior Managing Directors covering BSAM hedge-fund risk management; Bear Stearns Securities Corp. ("BSSC"); BSSC's internal compliance controls Committee; and from outside counsel on BSAM Funds. Mr. Tese reported that the Audit Committee had reviewed with Mr. Molinaro, Jeffrey Farber and Deloitte & Touche the profit and loss statement for the quarters ended May 31 and August 31, 2007.

15. **Report of Corporate Governance and Nominating Committee**

The next item of business was a report by Mr. Salerno on a meeting of the Corporate Governance and Nominating Committee (the "CGNC") held on September 17, 2007. Mr. Salerno reported that the CGNC reviewed the Board members to ensure that they complied with TBSCI's Board Candidate Guidelines and, if applicable, TBSCI's Independence Requirements. Mr. Salerno stated that all of TBSCI's Directors complied with the Board Candidate Guidelines and all non-management directors complied with the TBSCI Independence Requirements. Mr. Salerno also reported that the CGNC is recommending to TBSCI's Board that they authorize TBSCI's Executive Committee to determine if and when TBSCI will participate in the Direct Registration System administered by The Depository Trust Company.

16. **Report of the Finance and Risk Committee**

The next item of business was a report by Mr. Tese on meetings of the Finance and Risk Committee (the "FRC") held on August 9 and September 5, 2007. Mr. Tese reported that at these two meetings the FRC received briefings and memoranda covering the following topics: TBSCI's liquidity; TBSCI's secured and unsecured funding; TBSCI's balance-sheet leverage ratios; the mortgage inventory; repo exposures; leverage finance exposures; hedge fund exposures; operational risks; and insurance coverages.

17. **Election of Management & Compensation Committee Members**

The next item of business was the election of eight new members of the Management & Compensation Committee, bringing the total membership up to 15. Mr. Schwartz stated that the purpose was to broaden the representation of TBSCI's major business areas and operations on the Management and Compensation Committee.

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

RESOLVED, that each of the following individuals be, and each hereby is, appointed to the Management & Compensation Committee of The Bear Stearns Companies Inc. ("TBSCI"), effective September 7, 2007:

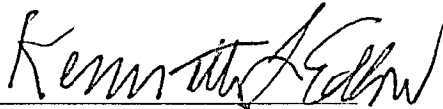
Craig M. Overlander
Thomas Marano
Steven D. Meyer
David H. Glaser
Jeffrey H. Urwin
Michel Peretie
Michael Alix
Peter Cherasia

BE IT FURTHER

RESOLVED, that each of such members of the Management & Compensation Committee shall serve until the meeting of the Board of Directors immediately following the next annual meeting of the stockholders of TBSCI or until his earlier resignation or removal.

18. **Adjournment**

There being no further business to come before the meeting of the Board, it was, on motion, adjourned at 6:40 P.M. after which TBSCI's non-management directors went into executive session.



Kenneth L. Edlow
Secretary