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Bear Stearns Minutes of a Special Meeting of the Board of Directors

Henry S. Bienen

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The Bear Stearns Companies Inc.
Minutes of Special Meeting of
Board of Directors – March 13, 2008

A special 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 March 13, 2008 beginning at 10:30 p.m.

1. Attendance and Organization at the Meeting

The following directors were present:

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

Being 11 of the directors and constituting a quorum thereof. Mr. Bienen, Mr. Glickman, Mr. Goldstein, Mr. Greenberg, Fr. Harrington, Mr. Nickell, Mr. Novelly, Mr. Salerno and Mr. Williams participated in the meeting via telephone conference in accordance with the By-laws. Mr. Cayne joined the meeting in progress on Thursday evening between 10:30 and 11:00 p.m. Also present were the following officers of TBSCI: Samuel L. Molinaro, Jr., Executive Vice President; Michael S. Solender, Esq., General Counsel, Jeffrey M. Lipman, Esq., Assistant Secretary and David Weintraub, a Senior Managing Director with Bear, Stearns & Co. Inc. Also present were Dennis Block and Bruce Zirinsky from the law firm of Cadwalader, Wickersham & Taft LLP. Mr. Tese served as Chairman of the meeting and Mr. Lipman served as Secretary.

2. Notice of the Meeting

In accordance with the By-laws, notice of the meeting was waived by the attendance of eleven members and one written waiver attached hereto.

3. Update

Mr. Schwartz said there were rumors in the market that were causing counterparties to not do business with TBSCI. He reported that liquidity had decreased due to unanticipated amounts of cash being returned to customers. TBSCI was receiving and meeting significant margin calls. He informed the Board that when customer balances leave there could be up to a forty-eight hour lag before TBSCI can take the cash out of the 15c3 account. He said repos were starting not to be rolled over. The Board was told that TBSCI would have five billion dollars in cash in the morning but would be overdrawn by three billion dollars at Citibank. Mr. Schwartz reported that fourteen billion dollars in repo was not going to be rolled over and that even if the repos were rolled over there would only be a few billion dollars in cash which customers were likely to take out. He said that there was a reasonable chance that there would not be enough cash to meet TBSCI's needs. The Board discussed whether TBSCI would be able to open the following day.

Management had been in contact with the Federal Reserve Bank of New York ("Fed"), the SEC and the Treasury Department and these regulators want to be kept apprised of developments.

A director asked whether credit lines could be drawn on. Mr. Schwartz said the credit lines might not be big enough to make a difference. He said there had been seventeen billion dollars in cash with a two billion eight hundred million dollar backstop, unsecured line. The Board was told that twelve to fifteen billion dollars had gone out of TBSCI in the last two days and that TBSCI had received a billion dollars in margin calls. Credit and repos did not roll over. There was discussion regarding the possibility of a transaction with Chase who may be prepared to move quickly. Absent a funding transaction, the alternative would likely be bankruptcy.

Outside counsel were available to discuss alternatives which included not paying all demands for cash and trying to sell TBSCI over the weekend or filing for bankruptcy. Mr. Zirinsky then spoke about Chapter 7 and SIPC. He spoke about the possibility of putting the parent and some subsidiaries into bankruptcy. The regulated broker-dealers would likely go through a SIPC proceeding.

In response to questions the Board was told that there was fourteen billion dollars in collateral that could be lent against and that customer withdrawals had been three billion dollars in each of the last two days.

Mr. Molinaro said there were twelve billion dollars in free credit balances and fifty billion dollars in debits and that customers were transferring entire accounts out. The Board was told that there had been conversations with regulators and with a few others but a capital infusion of one to two billion dollars would not be enough to stem credit issues. Mr. Schwartz said that even at noon today there had not appeared to be a "run on the bank." However, thereafter the run became apparent.

The meeting adjourned at 11:30 p.m. with the Board agreeing that the meeting would commence again at 6:00 a.m.

The meeting commenced again at 6:00 a.m. with the addition of James E. Cayne via telephone conference.

Mr. Schwartz said there was a possibility of a large lending facility with Chase. It was TBSCI's understanding that Chase was looking for a 23A exemption from the Fed.

Mr. Schwartz discussed a conversation he had had with Chris Flowers who might make an equity investment. Mr. Schwartz noted that an equity infusion would not be enough. Flowers might inject a few billion dollars in equity and provide a liquidity vehicle. This would provide competition on price for a transaction and stabilize the situation. Mr. Schwartz said Chase was also open to making a strategic investment.

In response to Board questions, Mr. Schwartz told the Board that capital was not the issue but liquidity was. Mr. Schwartz explained what the Fed had done with respect to expanding types of collateral banks could pledge. He said that while the new Fed facility would enable dealers to access funds from the Fed by pledging GSEs and residential mortgage securities the new Fed facility was not yet in place. He further explained that the market had rallied on the news of the new facility but the rumors about TBSCI persisted.

Absent funding from Chase, a transaction would need to be negotiated over the weekend. Mr. Schwartz explained how Chase would use 23A to loan TBSCI money. He explained that Flowers was not allowed access to 23A. Mr. Schwartz said that Chase might go into the Flowers deal to avoid systemic issues. Mr. Molinaro commented that Chase knows TBSCI wants to do this before the market opens.

In response to a question from a Board member, Mr. Schwartz said Chase prepared a release and then read the release to the Board. There was a discussion about the need for disclosure because of the prior announcement about liquidity. There was a discussion about the NYSE reaction to an announcement and whether a delay in trading should be requested.

Mr. Schwartz said Chase appears to be more willing to work out a solution for TBSCI.

The meeting ended at 6:35 a.m.

Jeffrey M. Lipman
Acting Secretary