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Bear-Stearns Board of Directors Minutes

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THE BEAR STEARNS COMPANIES INC.

**Minutes of Regular Meeting of
Board of Directors – January 10, 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 January 10, 2007, beginning at 8:30 A.M.

1. **Attendance and Organization**

The following directors were present:

Henry S. Bienen
James E. Cayne
Carl D. Glickman
Alan C. Greenberg
Donald J. Harrington
Frank T. Nickell

Paul A. Novelly
Frederic V. Salerno
Alan D. Schwartz
Warren J. Spector
Vincent Tese
Wesley S. Williams Jr.

being all of the directors (with Mr. Williams participating via teleconference) and constituting a quorum thereof. Also present were the following officers of TBSCI: Michael Solender, Esq., General Counsel; Kenneth L. Edlow, Secretary; and, Jeffrey M. Lipman, Esq., Assistant Secretary.

Mr. Cayne served 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 December 26, 2006, directing that a copy of the notice be annexed to the minutes of the meeting. Mr. Cayne reported that 135 employees were promoted in January 2007 to the position of Senior Managing Director and indicated that business continued to be buoyant.

3. **Report of the Corporate Governance Committee to Increase the Size of the Board**

The first order of business was a report by Mr. Tese on the Corporate Governance Committee meeting held on December 7, 2006. Mr. Tese reported that the Corporate Governance Committee conducted a review of the Board's size and recommended that the size of the Board be increased from 12 to 14.

4. **Election of Michael Goldstein and Increasing the Size of the Board**

The next item of business was consideration of a recommendation that Michael Goldstein be elected to the Board and that it be expanded from 12 to 14 members to accommodate his election plus possibly another candidate who plans to advise the Nominating Committee of her willingness to serve on the Board in early March 2007. Mr. Salerno reported that the Nominating Committee had reviewed Mr. Goldstein's qualifications and was recommending that the Board approve his election to the Board. Mr. Salerno also reported that Mr. Goldstein met the criteria for Board membership described in the Board Candidate Guidelines section of the Corporate Governance Committee Guidelines and that Mr. Goldstein satisfied the definition of "independent director" as that term is defined in TBSCI Director Independence Standards and in NYSE Rule 303(A). Mr. Cayne expressed the view that Mr. Goldstein's business experience, accounting background and directorships at other companies would make him a valuable addition to TBSCI's Board.

Mr. Salerno reported that Mr. Goldstein had resigned from one of his six public company directorships in order to comply with TBSCI's policy that a non-management director be limited to six public-company boards. Mr. Salerno then made reference to a promising Board candidate who will advise the Nominating Committee in March 2007 whether she is willing to serve on the Board.

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

RESOLVED, that, effective January 10, 2007, the number of directors of The Bear Stearns Companies Inc. constituting the Whole Board shall be increased from 12 to 14; and

RESOLVED, that effective January 10, 2007, immediately following the conclusion of The Bear Stearns Companies Inc. ("TBSCI") 8:30 A.M. Board meeting, Michael Goldstein be elected a director of TBSCI to serve until the next Annual Meeting of Stockholders or until his successor is duly elected and qualified.

5. **Determination of Independence of Michael Goldstein and his Election to the Audit Committee**

The next item of business was a determination of independence of Michael Goldstein and his election to TBSCI's Audit Committee. Mr. Solender reported

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Mr. Solender stated that TBSCI's management was recommending that the Board appoint Mr. Goldstein as an Audit Committee member based on his impressive qualifications. Made available to each director was Mr. Goldstein's director questionnaire; a one-page memo concerning Mr. Goldstein from Cadwalader, Wickersham & Taft; and an email from Mr. Edlow relating to charitable contributions made by TBSCI to charities on whose boards Mr. Goldstein is a member.

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

WHEREAS, New York Stock Exchange Rule 303A requires that listed companies have a majority of independent directors and that such determinations of independence are to be made by The Bear Stearns Companies Inc. ("TBSCI") Board of Directors (the "Board"); and

WHEREAS, in order to assist the Board in making its determinations of independence, the Board has adopted categorical standards for independence; and

WHEREAS, the Board has reviewed what it deems to be all of the relevant facts and circumstances pertaining to independence and has determined that Michael Goldstein has no material relationships with TBSCI and is an "independent director" — as that term is defined in NYSE Rule 303A and in TBSCI's Director Independence Standards; and

WHEREAS, the Board believes that Michael Goldstein can make a significant contribution to the deliberations of TBSCI's Audit Committee;

NOW, THEREFORE, BE IT

RESOLVED, that Michael Goldstein has no material relationship with TBSCI and is an independent director of TBSCI in conformance with NYSE Rule 303A and TBSCI's Director Independence Standards; and

RESOLVED, that the Board of TBSCI elects Michael Goldstein as a member of the Audit Committee of TBSCI, effective January 10, 2007, immediately following the conclusion of the 8:30 A.M. TBSCI Board meeting, and approves his simultaneous service on the audit committees of four other public companies.

6. **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 September 20, 2006 and December 13, 2006, which minutes were, on motion, approved by a unanimous vote of the Board.

7. **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.

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8. 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 38 occasions between September 5, 2006 and December 18, 2006. Mr. Greenberg reported that the Executive Committee had approved separate corporate loan commitments totaling approximately \$53.128 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 fourth quarter of 2006, Bear Stearns actually contracted to provide a total of only \$3.4 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.

9. Report of the Compensation Committee

The next order of business was a report by Mr. Glickman on meetings of the Compensation Committee held on two occasions subsequent to September 20, 2006. Mr.

Glickman reported that the Compensation Committee certified the accuracy of the Performance Compensation Plan bonus pool computations for fiscal year 2006 and also set TBSCI's fiscal year 2007 target range of compensation to be paid as a percentage of net revenues. It was also reported that the Compensation Committee (i) approved the purchase of \$200 million of TBSCI's Common Stock to cover the Capital Accumulation Plan for Senior Managing Directors (the "CAP Plan") earning's needs for fiscal year 2007, (ii) approved the Equity Research Department's fiscal year 2006 analyst compensation process, (iii) approved the overall level of TBSCI's compensation expense for fiscal 2006, (iv) approved the bonus payments to be made to the 14 participants in the Performance Compensation Plan, (v) approved the grid for non-cash employee compensation, (vi) authorized awards of CAP Plan units, RSUs and Stock Options to employees, and (vii) certified the accuracy of the Performance Compensation Plan bonus pool calculations for fiscal year 2006.

10. **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 October 5, 2006, December 13, 2006, and January 9, 2007. Mr. Tese reported that the Audit Committee received reports from various Senior Managing Directors covering introducing-broker activities, the Research Department, deferred taxes, tax reserves, liquidity risk management, market risk, business continuity plans, litigation and regulatory matters. Mr. Tese reported that the Audit Committee had reviewed with Mr. Molinaro and with Deloitte & Touche the profit and loss statement for the quarter ended November 30, 2006.

11. **Scheduling the Annual Meeting and its Record Date and Future Meetings of the Board**

The next order of business was the scheduling of dates for future regular meetings of the Board and TBSCI's Annual Meeting of Stockholders. Mr. Cayne suggested that the next seven regular meetings of the Board be scheduled for February 8, March 14, April 18 (immediately following the Annual Meeting of Stockholders), June 13, September 17, December 12, 2007, and

February 7, 2008. Mr. Cayne also recommended that the 2007 Annual Meeting of Stockholders be scheduled for April 18, 2007, with a record date of February 20, 2007.

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

RESOLVED, that the 2007 Annual Meeting of Stockholders (the "2007 Annual Meeting") of The Bear Stearns Companies Inc. ("TBSCI") be held on April 18, 2007 at 5:00 P.M. in the Auditorium at 383 Madison Avenue, New York, New York, and that the record date for such meeting be February 20, 2007.

RESOLVED, that the next seven regular meetings of the Board of Directors of The Bear Stearns Companies Inc. be held on: February 8, 2007 at 4:30 P.M.; March 14, 2007 at 4:30 P.M.; April 18, 2007 (immediately after the Annual Meeting); June 13, 2007 at 4:30 P.M.; September 17, 2007 at 4:30 P.M.; and, December 12, 2007 at 4:30 P.M., and February 7, 2008 at 4:30 P.M.

12. **Formation of Finance and Risk Committee And Election of its Members**

The next item of business was the formation of a new committee of the Board to be known as the Finance and Risk Committee (the "FRC") and the election of its members. Mr. Tese reported that TBSCI's management was recommending that the FRC be formed for the purpose of overseeing TBSCI's risk profile as relates to liquidity risk, market risk, operational risk and credit risk. Mr. Tese stated that the FRC would: (i) reduce the workload of the Audit Committee, (ii) be consistent with similar actions being taken by TBSCI's industry peers, and (iii) be viewed favorably by rating agencies and corporate governance advisory organizations. Mr. Cayne recommended that the FRC be chaired by Mr. Novelty and also have Messrs. Nickell, Salerno and Tese as members.

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. ("TBSCI") wishes to create a committee to oversee TBSCI's risk profile;

NOW, THEREFORE, BE IT

RESOLVED, that effective January 10, 2007, TBSCI hereby authorizes the establishment of a Finance and Risk Committee (the "FRC"), which shall be composed of at least three (3) directors. The FRC shall meet at least once per year, and additionally as required. The FRC's charter shall be presented to the Board at a future Board meeting.

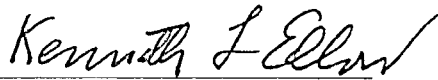
RESOLVED, that Frank T. Nickell, Paul A. Novelly, Frederic V. Salerno and Vincent Tese be, and each hereby is, appointed as a member of the FRC of the Board; that each of such members of the FRC shall serve until the meeting of the Board of Directors immediately following the next annual meeting of shareholders of TBSCI; and that Paul A. Novelly be, and he hereby is, elected as Chairman of the FRC, to serve until the meeting of the Board of Directors immediately following the next annual meeting of shareholders of TBSCI or until his earlier resignation or removal.

13. **Year-End Video**

The next item of business was the viewing of a year-end video on TBSCI activities that had been prepared by TBSCI's Corporate Communications Department and the Broadcast Media Group of the Corporate Marketing Department.

14. **Adjournment**

There being no further business to come before the meeting of the Board, it was, on motion, adjourned at 9:05 A.M., after which TBSCI's non-management directors went into executive session.



Kenneth L. Edlow
Secretary