

Book No.

Bear Stearns High-Grade Structured Credit Strategies

Table of Contents

Section

- I** Philosophy and Strategy
- II** A Study of Historical Volatility of CDO Asset Class
- III** Risk Factors

Appendices

- A** Terms and Conditions
 - B** Management Team Biographies
 - C** Bear Stearns – An Experienced Participant in the Structured Finance Market
 - D** BSAM Overview
-

The above is for informational purposes only and does not constitute an offer or solicitation to buy private investment fund interests. Any investment in a private investment fund involves significant risks not associated with more conventional investment alternatives. These interests will be offered and sold only to "eligible investors," defined as institutional investors, individuals and other entities that satisfy certain minimum income, net-worth and/or other requirements. Risk factors, fees and expense information are set forth in the Confidential Private Placement Memorandum.

The Fund: (i) engages in leveraging and other speculative investment practices that may increase the risk of investment loss; (ii) issues interests that are subject to redemption and transfer restrictions; (iii) is not required to provide periodic pricing or valuation information to investors; (iv) may experience delays in distributing important tax information; (v) is not subject to the same regulatory requirements or oversight as mutual funds and (vi) charges investment management and performance fees that will offset the Fund's trading profits and (vii) is managed entirely by a small team of managers applying a generally similar trading program, which could create lack of diversification, and consequently higher risk. The Fund's interests have no secondary market and none is expected to develop.

Philosophy and Strategy

Bear Stearns High-Grade Structured Credit Strategies Investment Philosophy

- Primary focus is to buy and hold “AAA” and “AA” structured finance securities
- Seek to generate consistent “cash and carry” returns over any market cycle using repo financing and other forms of leverage
- When market opportunities exist, recognize capital appreciation and restructure or unwind securities whose net asset value exceeds market price

Bear Stearns High-Grade Structured Credit Strategies Investment Strategy

- May be compared to a specialty finance company
- Experienced structured credit analysts identify qualifying assets to finance in the repo market and via non-recourse term funding vehicles
- Financing is arranged on a short/medium/long term basis to suit particular assets and market environment
- Hedge financial obligor and credit spread risk with credit default swaps
- Monitor the ongoing credit performance of the portfolio using proprietary Bear Stearns trading and evaluation models BondStudio® and PACRE™, as well as third party solutions such as Intex

Bear Stearns High-Grade Structured Credit Strategies Market Opportunity

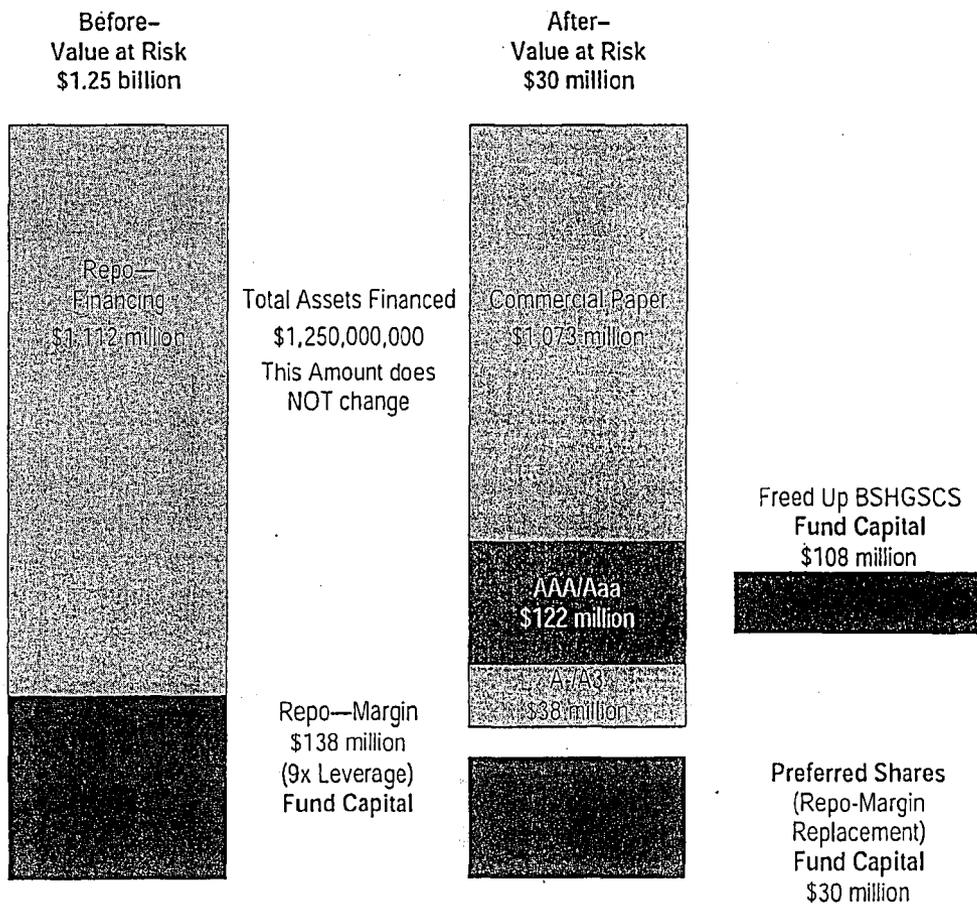
- Many investment grade structured finance credits, particularly collateralized debt obligations (“CDOs”), trade wide to their fundamental credit risk because structures are complex
- The CDO sector has been a “new issue” market. Value opportunities exist in the secondary market because of illiquidity
- Growth in the structured finance market should add to the supply of secondary issues that fall outside of the general parameters of the larger traditional institutional buyers
- As experienced participants in this market, the portfolio managers have the knowledge, experience and resources to identify attractive assets and monitor the credit risk inherent in these assets

Bear Stearns High-Grade Structured Credit Strategies Targeted Portfolio Characteristics

Credit Quality:	90% "AAA" through "AA-"
Average Life:	4 years or less
Credit Hedges:	10% – 20% of notional amount of portfolio
Cash Position:	10% – 20% of capital
Targeted Net Leverage ¹ :	10 to 1
Repackaging Vehicles:	30% of capital
Interest Rate Sensitivity:	Targeted interest rate duration of zero

¹ Net Leverage is defined as total market value of investments less the notional amount of credit default swaps hedges divided by the net asset value of the Partnership. All figures are objectives, and the portfolio may vary in one or another respect from time to time. The Fund is permitted up to 15x net leverage as detailed in the Fund's Confidential Private Placement Memorandum.

Bear Stearns High-Grade Structured Credit Strategies Repackaging Vehicles — Klio Funding

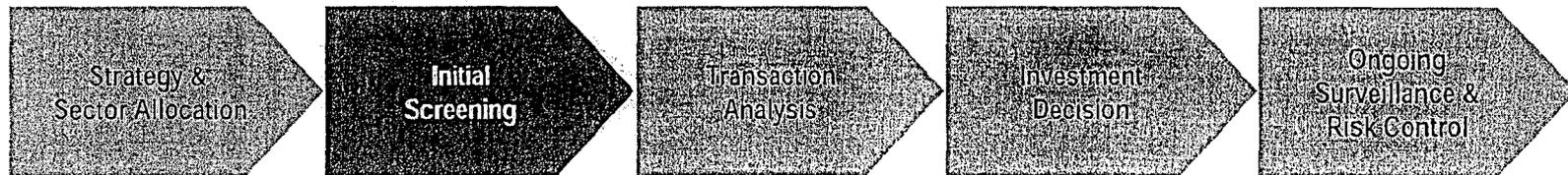


Bear Stearns High-Grade Structured Credit Strategies Investment Process



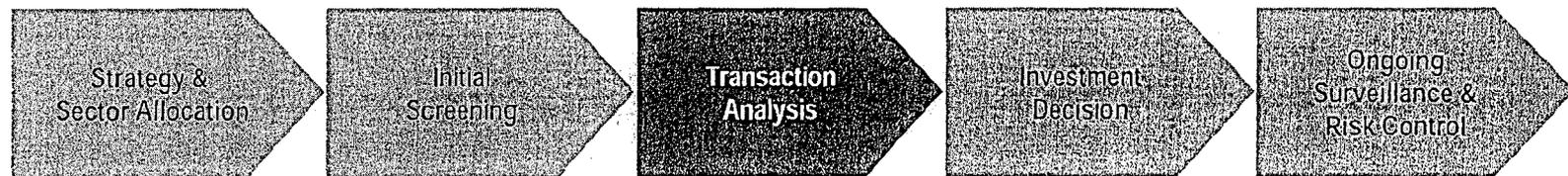
- Monitor the macro-economic environment including interest rates, yield curve trends, Fed outlook, GDP, inflation, growth of consumer and mortgage debt burden, and other fundamental data
- Based upon macro-economic view, determine asset class allocation and ratings stratification

Bear Stearns High-Grade Structured Credit Strategies Investment Process (cont'd)



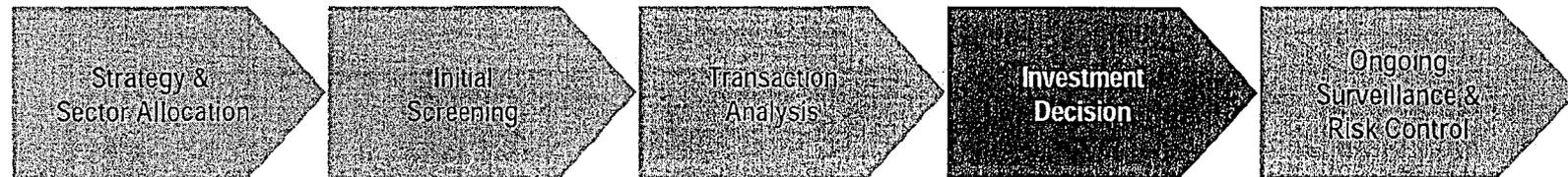
- Source and screen potential investments based on asset category and rating
- Prioritize clean, new issue quality assets
- Analyze potential qualifying secondary assets
- Filter out assets based upon collateral quality test performance, concentration limitations, payment frequency, maturity as well as weighted average life, and ratings

Bear Stearns High-Grade Structured Credit Strategies Investment Process (cont'd)



- Review Debt Marketing Materials and Preliminary Offering Memorandum (OM) focusing on
 - Collateral characteristics
 - Structural features
 - Credit Enhancement
 - Coverage Tests
- Verify Robustness of Rating and perform Quantitative Analysis using
 - Proprietary Models
 - Rating Agency Discussions
 - Underwriter Discussions
- Run Scenario Analysis relative to cohorts
 - Coverage Test sensitivity
 - Cumulative Loss Percentage analysis to PIK, interest shortfall and principal loss etc.
 - Give subject order to underwriter

Bear Stearns High-Grade Structured Credit Strategies
Investment Process (cont'd)



- Portfolio Managers conduct final review
 - Inspection of final Offering Memorandum, Computation Materials, and Indentures
 - Inspection of final portfolio
 - Order goes firm

**Bear Stearns High-Grade Structured Credit Strategies
Investment Process (cont'd)**



- Using a proprietary surveillance system, all assets are reviewed monthly and those showing signs of future credit deterioration or poor performance are “flagged” for further review
 - For RMBS, triggers include changes in delinquencies, cumulative loss, initial and current credit enhancement and CPR rates over time
 - For CDOs, triggers include changes in all coverage ratios and weighted average portfolio rating over time, CCC buckets, loss, defaulted securities
- CDO, RMBS, corporate and ABS portfolio managers and credit analysts evaluate the reported statistics on flagged positions and perform additional analysis when necessary. All comments are passed on to the Senior Portfolio Managers and logged in the Surveillance System
- The BSHG investment strategy and proprietary asset tracking system allow the portfolio managers to quickly identify and sell any suspect assets before credit deterioration begins or ratings downgrades occur
- Additionally, BSAM Risk Management provides an overlay to the BSHG Surveillance Team that is managed by Frank Galdi with a staff of six analysts

Bear Stearns High-Grade Structured Credit Strategies Portfolio Management and Surveillance System

- BSHG developed their own proprietary Surveillance, Portfolio Evaluation, Analysis and Risk System
- The Surveillance System is a specialized database, reporting and analysis tool designed especially for structured products and their underlying portfolios
- Information from Data Vendors is aggregated in the Surveillance System to get a broad picture of an asset's performance and stability
 - Intex
 - Bloomberg
 - Trustees and Servicers
 - Rating Agencies
- Alerts and Collateral Management reports are generated every day based upon updated data from the data providers
- Analytics
 - Intex
 - Bear Stearns BondStudio
 - Salomon Yield Book
 - Bloomberg
 - Proprietary Models

**Bear Stearns High-Grade Structured Credit Strategies
High-Grade Collateral Quality Analysis**

➤ Investment Grade Structured Finance Assets show stable ratings history (1983-2003)

5 Year Transition Rates for Structured Finance Securities

	Aaa	Aa	A	Baa	Ba	B	<= Caa
Aaa	96.59%	2.01%	0.64%	0.25%	0.02%	0.06%	0.43%
Aa	32.94%	56.88%	5.09%	2.41%	0.87%	0.72%	1.10%
A	11.25%	11.98%	69.98%	2.70%	1.48%	0.73%	1.89%

Moody's Historical Migration Statistics for High-Grade Portfolio

	% Rated A or Higher after 5 Years	Current Portfolio Allocations	Portfolio Concentration
Aaa	99.24%	50%	49.62%
Aa	94.40%	42%	39.65%
A	93.21%	8%	7.46%
Total % of Portfolio Rated A or Higher after 5 Years without any Collateral Management Activity			= 96.73%

The information on this page has been provided by Bear Stearns High Grade Structured Credit Strategies

Bear Stearns High-Grade Structured Credit Strategies Term Financing/Structuring Activities

BSHG has successfully managed \$13.8 bn of CDO's across a diverse group of asset classes and \$11.2 bn of assets in the Hedge Fund. All deals are currently in compliance with all coverage tests and portfolio concentration limits as of October 2005

Kfio I, II, III

Size: \$2.4 / \$5.0 / \$4.0 bn Structured
Credit CDO
Completed: Jun 04 / Apr 05 / Nov 05

- Sector allocation is a maximum of 40% CDO and a maximum of 70% RMBS
- Rating allocation is a 15% maximum of single-A and a minimum of 40% AAA

High-Grade Structured CDO – 2004-1

Size: \$1.0 Billion Synthetic CDO
Completed: October 2004

- Sector allocation includes RMBS, HEL, Mortgage CDO and Trust Preferred
- Rating allocation is primarily single-A (70%)

High-Grade Structured CDO – 2005-1

Size: \$800 million RMBS CDO
Completed: April 2005

- Sector allocation is 25% CDO and 75% ABS
- Rating allocation concentrated in single-A with minimum of low single-A rating

Stone Tower CDO 2004 & 2005-2

Size: \$300 / \$300 mm CDO of CLOs
Completed: Nov 2004 / Oct 2005

- BSHG is sub-advisor
- Sector allocation
 - 75% CDO and 25% Senior Secured Loans
 - Currently B1/B+ (can vary according to matrix)

Bear Stearns High-Grade Structured Credit Strategies Summary of Principal Risk Factors

➤ Leverage

- Through the Fund may be leveraged up to 15 to 1, we seek Net Leverage of the Partnership of approximately 10 to 1. Any event that adversely affects the value of an investment would be magnified by the amount of leverage employed. If the market value of the securities purchased by the Partnership decline, the Partnership may be required to post additional margin with the Partnership's lender. If the Partnership does not have sufficient cash to meet a margin call, the lender has the right to sell the security held as collateral for the loan. The securities held by the Partnership will be illiquid and it is possible that the price realized upon such a sale will be substantially below the last marked value of that position.

➤ Illiquidity of Structured Finance Assets

- The securities that will be purchased by the Partnership can be illiquid. It is possible the Partnership will not be able to execute a sell trade at the last marked value for that security. The leverage employed by the Partnership will magnify this risk.

➤ Credit Deterioration

- The Partnership will own securities whose credit quality is dependent upon the credit quality of an underlying portfolio of bonds, loans or other credit sensitive securities. Credit deterioration in the underlying collateral portfolio will negatively affect the securities held by the fund and can lead to a rating agency downgrade for the security held by the Partnership. The market for downgraded structured finance securities is more illiquid than the general market for structured finance securities so it is possible the Partnership will have difficulty selling a downgraded position at its last marked value.

➤ Ineffectiveness of Credit Hedges

- The Partnership may use credit default swaps to hedge a portion of the credit risk in the portfolio. The credit default swaps will generally not hedge a specific Partnership position but will hedge exposure to a group of credits the managers believe to reflect the credit markets in general. It is possible these credit hedges will not be correlated with the portfolio as intended which will lead to a greater decline in the portfolio's value than that anticipated by the managers.

A Study of Historical Volatility of CDO Asset Class

Structured Finance Ratings Stability Triple-A New Issue Spreads and Spread Volatility in the CDO and CMBS Markets

Spreads noted in basis points over LIBOR for ABS CDOs, CLOs, and HY CDOs and swaps for CMBS

	ABS CDO (2000-2002)	CLO (2000-2002)	HY CDO (1998-2002)	CMBS (1996-2002)
Tightest New Issue Spreads	45	36	25	20
Widest New Issue Spreads	65	65	75	111.5
Average Monthly Change in Spreads	1.15	1.87	2.54	0.65
Largest One Month Widening	12	14	15	13.5
Standard Deviation	2.23	3.04	3.14	4.51
2 Standard Deviations	4.45	6.08	6.29	9.01
3 Standard Deviations	6.68	9.12	9.43	13.52
4 Standard Deviations	8.91	12.16	12.57	18.03

Price Sensitivity of an Asset as a Function of Spread Widening

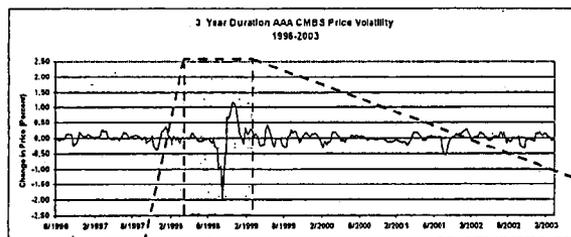
Duration of Assets (Years)

	2.0	2.5	3.0	3.5	4.0	4.5	5.0
5	0.100	0.125	0.150	0.175	0.200	0.225	0.250
10	0.200	0.250	0.300	0.350	0.400	0.450	0.500
15	0.300	0.375	0.450	0.525	0.600	0.675	0.750
20	0.400	0.500	0.600	0.700	0.800	0.900	1.000
25	0.500	0.625	0.750	0.875	1.000	1.125	1.250
30	0.600	0.750	0.900	1.050	1.200	1.350	1.500
35	0.700	0.875	1.050	1.225	1.400	1.575	1.750
40	0.800	1.000	1.200	1.400	1.600	1.800	2.000

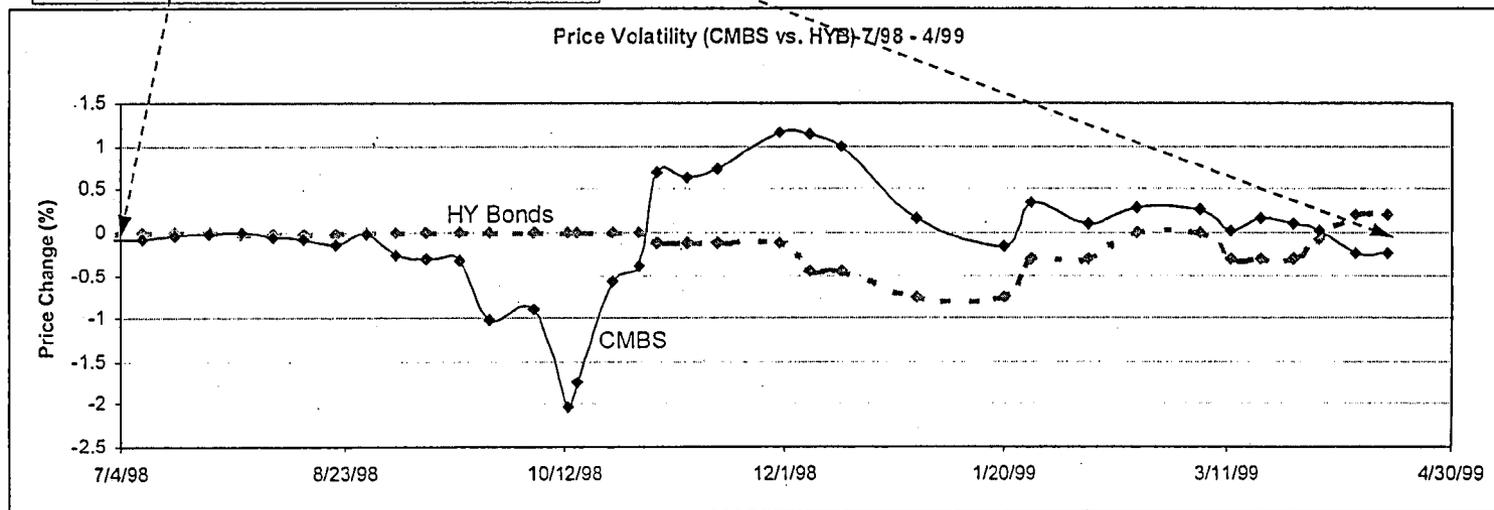
Source: Bear Stearns CDO Research. The spread data is a monthly average of new issue spreads as tracked by Bear Stearns CDO Research from market sources believed to be reliable. The theoretical prices used in the duration figures represent duration calculations for a bond priced at par prior to the specific spread widening noted along the leftmost column.

AAA Rated Structured Finance Securities—Correlation of Price Movements
 Price Volatility AAA CMBS vs. AAA HY CDOS

June 1998 – April 1999



Prices fluctuated substantially in the CMBS market because of liquidity pressure, the high yield bond CDO market remained stable during October 1998. Other CDO asset classes were not used because the CDO market was still very small in 1988. It is possible that there may have been higher correlation in those asset classes.



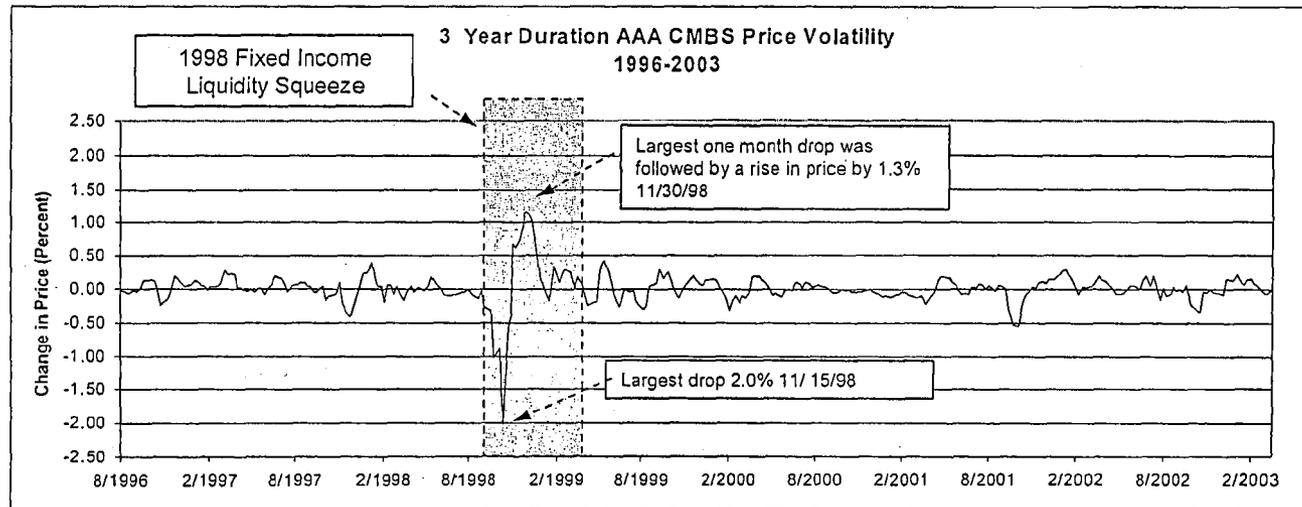
Source: Bear Stearns F.A.S.T. Group.

Historical Price Volatility in the "AAA" CMBS Market

Monthly Price Volatility of 3 Year Duration AAA CMBS Bonds

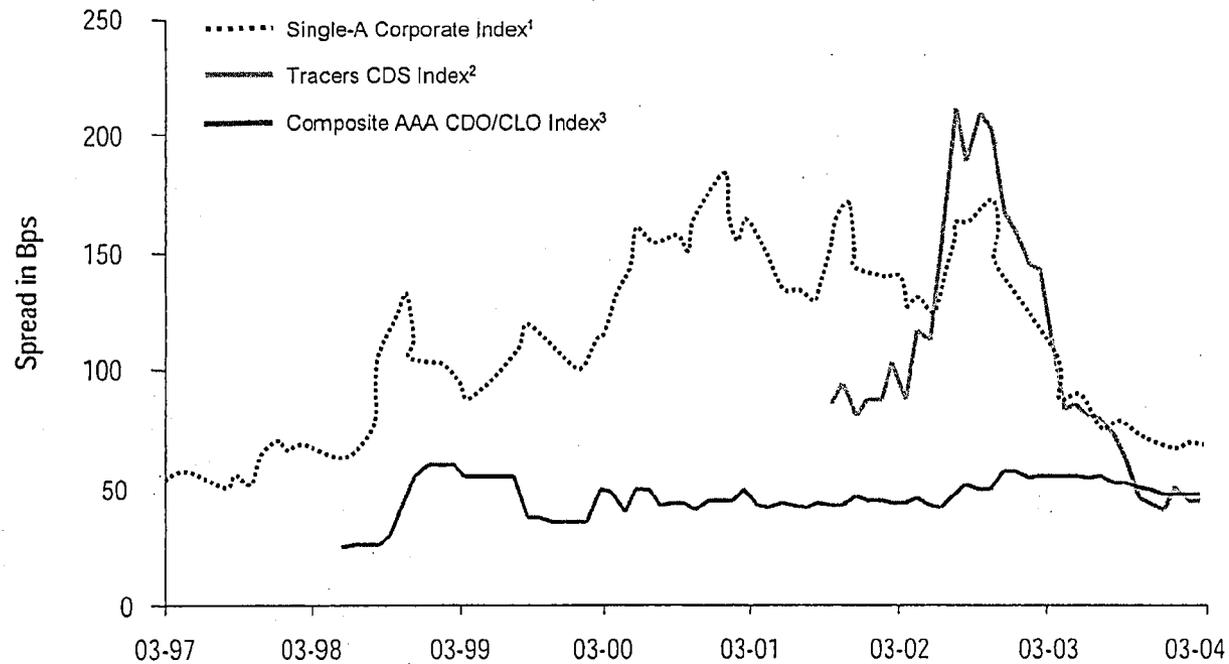
	Loss
Average Price Move	0.15%
Standard Deviation	0.251%
2 Standard Deviation Move	0.50%
3 Standard Deviation Move	0.75%
4 Standard Deviation Move	1.00%
5 Standard Deviation Move	1.26%
Worst 1% of Occurrences	1.00%

The volatility numbers noted here reflect a non-levered investment. The moves would be 10 times as severe if leverage were applied in a manner similar to that to be used by the Fund.



Source: Bear Stearns CDO Research. The price information used above was taken from Bear Stearns CMBS pricing data. Prices were derived from recorded spread data for AAA CMBS securities. Spread changes were translated into price changes assuming a three year duration.

**AAA CDO/CLO vs. Single A Corporate Spreads
Spread Volatility**



Source: Bear Stearns CDO Research.

- 1 This index is the A component of the U.S. Credit Index, made up of publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered.
- 2 TRACERS CDS Index – 100-name index, which, since its launch, has been the market benchmark for investment grade corporate credit. TRACERS comprises 100 of the most actively traded names in the U.S. CDS market.
- 3 AAA CDO/CLO Index is a Bear Stearns composite index representing new issues in the CDO/CLO market.

Risk Factors

Bear Stearns High-Grade Structured Credit Strategies Additional Risk Factors

Any person subscribing for an investment must be able to bear the risks associated with the Fund and must meet the Fund's suitability requirements. Some or all alternative investment programs may not be suitable for certain investors. No assurance can be given that the Fund's investment objectives will be achieved. The risks which the General Partner wishes to call to the particular attention of prospective investors are the following

- The Fund is speculative and involves a substantial degree of risk
- The Fund will be leveraged and engage in other speculative investment practices that may increase the risk of investment loss
- Past results of the investment manager are not necessarily indicative of future performance of the Fund, and the Fund's performance may be volatile
- An investor could lose all or a substantial amount of his or her investment
- The investment manager has total trading authority over the Fund, and the Fund is dependent upon the services of the investment manager. The use of a single advisor could mean lack of diversification and, consequentially, higher risk
- The Fund is subject to conflicts of interest
- The Fund is highly illiquid. There is no secondary market for the investors' interest in the Fund and none is expected to develop
- There are restrictions on transferring interests in the Fund
- The Fund's fees and expenses may offset the Fund's trading profits
- The Fund is not subject to the same regulatory oversight as mutual funds
- The Fund is not required to provide periodic pricing or valuation information to investors with respect to its individual investments
- Please review the "Risk Factors" and "Conflicts of Interest" sections in the Fund's Memorandum

Appendices

Terms and Conditions



Bear Stearns High-Grade Structured Credit Strategies, L.P. Summary of Principal Terms

Structure:	Bear Stearns High-Grade Structured Credit Strategies L.P. (the "Fund"), a Delaware limited partnership formed on August 26, 2003. The Fund commenced operations on October 1, 2003 and invests substantially all of its assets through the Bear Stearns High-Grade Structured Credit Strategies Master Fund Ltd., a "master-feeder" arrangement.
Investment Objective:	The Fund aims to seek (primarily through its investment in the Master Fund) current income and capital appreciation. There can be no assurance that the Partnership will achieve its investment objective or avoid substantial losses.
Management Team:	Ralph Cioffi, Matthew Tannin and Ray McGarrigal are responsible for directing BSAM's investments for the Master Fund. Bear Stearns Asset Management Inc., a corporation formed under the laws of the State of New York (the "General Partner" or "BSAM"), serves as the general partner of the Partnership and as the investment manager of each of the Master Fund and the Offshore Fund.
Minimum Investment:	\$1,000,000. The General Partner may accept or reject any initial and additional subscriptions and waive the minimum subscription amounts in its sole discretion.
Eligible Investors:	"Qualified Purchasers" (individuals or family companies with investment portfolios in excess of \$5 million; other entities with investment portfolios in excess of \$25 million).
Leverage:	A maximum of 15 to 1 Net Leverage, target 10 to 1 Net Leverage.
Annual Management Fee:	2% of the net asset value.
Performance Fee:	20%, subject to a High Water Mark.
High Water Mark:	No performance fee is charged until all previous declines in NAV in previous periods are offset by increases in NAV in subsequent periods.
Administrator:	PFPC Inc. (Delaware)
Prime Broker/Custodian:	Bear Stearns Securities Corporation
Auditor:	Deloitte & Touche LLP
Subscriptions:	Monthly
Redemptions:	A Limited Partner may generally withdraw any or all of their Capital Balance as of the last Business Day of the month of the annual anniversary of their initial contribution upon not less than 60 days' prior written notice without being subject to a withdrawal fee. In addition, a Limited Partner may make special withdrawals as of the last Business Day of any month upon not less than 40 days prior written notice, subject to a 4% withdrawal fee.
Fiscal Year End:	December 31
Fund Status:	Open

The above is for informational purposes only and does not constitute an offer or solicitation to buy private investment fund interests. Any investment in a private investment fund involves significant risks not associated with more conventional investment alternatives. These interests will be offered and sold only to "eligible investors," defined as institutional investors, individuals and other entities that satisfy certain minimum income, net-worth and/or other requirements. Risk factors, fees and expense information are set forth in the Confidential Private Placement Memorandum.

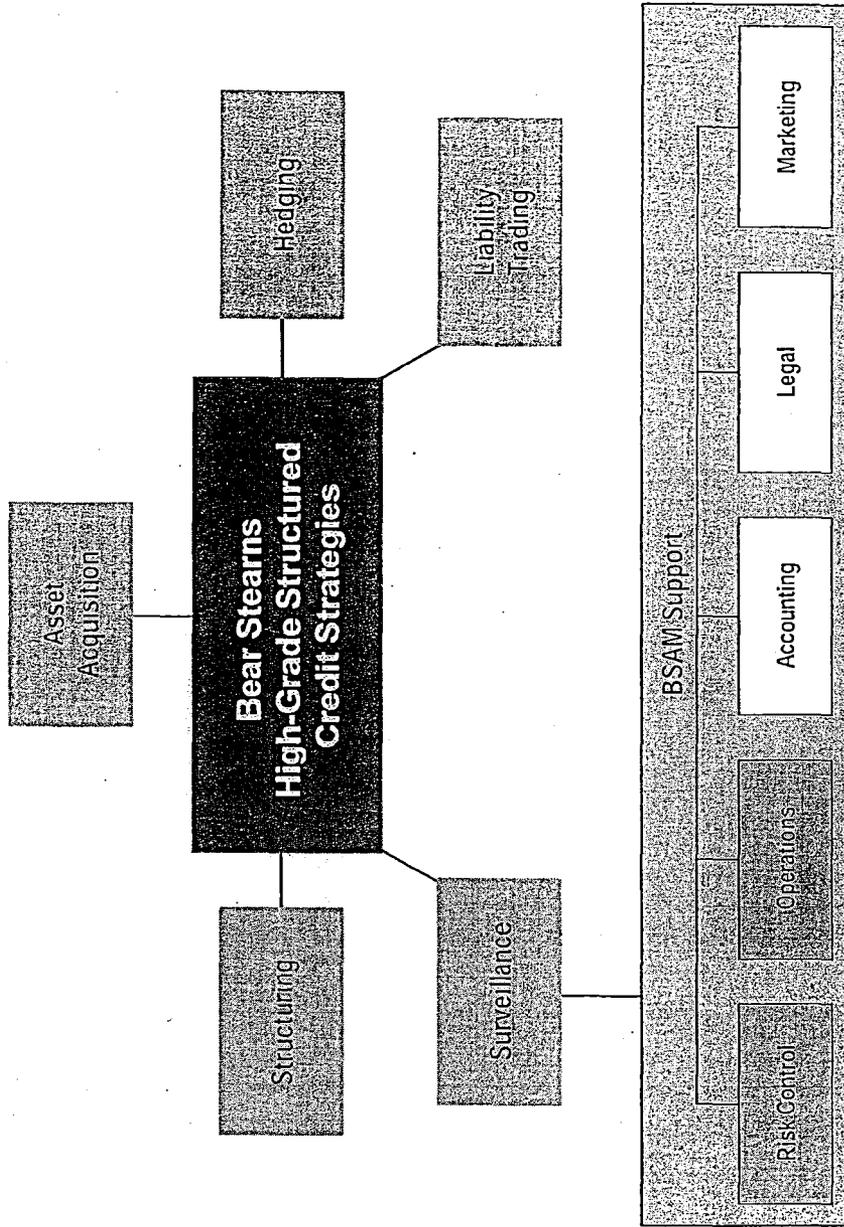
**Bear Stearns High-Grade Structured Credit Strategies (Overseas) Ltd.
Summary of Principal Terms**

Structure:	Bear Stearns High-Grade Structured Credit Strategies (Overseas) Ltd. (the "Fund") incorporated on September 8, 2003 as a Cayman Islands exempted company and invests substantially all of its assets through the Bear Stearns High-Grade Structured Credit Strategies Master Fund Ltd., a "master-feeder" arrangement.
Investment Objective:	The Fund aims to seek (primarily through its investment in the Master Fund) current income and capital appreciation. There can be no assurance that the Partnership will achieve its investment objective or avoid substantial losses.
Management Team:	Ralph Cioffi, Matthew Tannin and Ray McGarrigal are responsible for directing BSAM's investments for the Master Fund. Bear Stearns Asset Management Inc., a corporation formed under the laws of the State of New York (the "General Partner" or "BSAM"), serves as the general partner of the Partnership and as the investment manager of each of the Master Fund and the Offshore Fund.
Minimum Investment:	\$1,000,000. The Fund may accept or reject any initial and additional subscriptions and waive the minimum subscription amounts in its sole discretion.
Eligible Investors:	The Shares are only offered only to non - "United States persons" and U.S. investors that are tax-exempt investors, "accredited investors" under the US Securities and Exchange Commission Regulation D and "qualified purchasers" under Section 2(a)(51) of the US Investment Act of 1940.
Leverage:	A maximum of 15 to 1 Net Leverage, target 10 to 1 Net Leverage.
Annual Management Fee:	2% of the net asset value.
Performance Fee:	20%, subject to a High Water Mark.
High Water Mark:	No performance fee is charged until all previous declines in NAV in previous periods are offset by increases in NAV in subsequent periods.
Administrator:	PFPC International (Ireland)
Prime Broker/Custodian:	Bear Stearns Securities Corporation
Auditor:	Deloitte & Touche
Subscriptions:	Monthly
Redemptions:	A Shareholder may generally withdraw any or all of their Capital Balance as of the last Business Day of the month of the month of the annual anniversary of their initial contribution upon not less than 60 days' prior written notice without being subject to a withdrawal fee. In addition, a Shareholder may make special withdrawals as of the last Business Day of any month upon not less than 40 days prior written notice, subject to a 4% withdrawal fee.
Fiscal Year End:	December 31
Fund Status:	Open

The above is for informational purposes only and does not constitute an offer or solicitation to buy private investment fund interests. Any investment in a private investment fund involves significant risks not associated with more conventional investment alternatives. These interests will be offered and sold only to "eligible investors," defined as institutional investors, individuals and other entities that satisfy certain minimum income, net-worth and/or other requirements. Risk factors, fees and expense information are set forth in the Confidential Private Placement Memorandum.

Management Team Biographies

**Bear Stearns High-Grade Structured Credit Strategies
Management Team**



Biographies**Bear Stearns High-Grade Structured Credit Strategies
Portfolio Management Team****Ralph Cioffi**

Senior Managing Director, Senior Portfolio Manager and Risk Management

Mr. Cioffi is a Senior Managing Director and has been with Bear Stearns since 1985 and is a member of Bear Stearns Asset Management's Board of Directors. From 1985 through 1991 Mr. Cioffi worked in institutional fixed income sales where he specialized in structured finance products. He served as the New York head of fixed income sales from 1989 through 1991. From 1991 through 1994, Mr. Cioffi served as global product and sales manager for high grade credit products. He was involved in the creation of the Structured Credit effort at Bear Stearns and was a principal force behind Bear's position as a leading underwriter and secondary trader of structured finance securities; specifically Collateralized Debt Obligations and Esoteric Asset Backed Securities. Mr. Cioffi has been managing the High Grade Structured Credit Strategies Fund since March of 2003. He holds a B.S. degree in Business Administration from Saint Michaels College, Vermont, and is a member of the international business management and administration honor society, Sigma Beta Delta. Mr. Cioffi is also a registered investment advisor.

Ray McGarrigal

Senior Managing Director, Senior Portfolio Manager, CDO Structuring, Modeling and Surveillance

Mr. McGarrigal started his Wall Street career with Bear Stearns in 1991 in the Financial Analytics and Structured Transactions (F.A.S.T.) group as an analyst. He moved to UBS in 1993-1995 to work as a CMO structurer and CMO floater trader. Following his time at UBS, Mr. McGarrigal was a member of the New York Mercantile Exchange where he traded options on energy futures as a local. He returned to Bear in 1997 and has structured a wide variety of fixed income structured products in the F.A.S.T. group. His product specialties include all types of Collateralized Debt Obligations (CDO's), Residential Mortgage Backed Securities (RMBS) and structured credit derivatives. He brings to the fund an in-depth understanding of structure, risk, the ratings process and relative value analysis across a wide range of fixed income structured credit products. Mr. McGarrigal holds an M.B.A. in Finance from New York University and a B.S. in Mathematics and Business Economics from the State University College at Oneonta.

Matthew Tannin

Senior Managing Director, Chief Operating Officer, Deal Documentation, Structuring and Funding

Mr. Tannin is a Managing Director and has been with Bear Stearns since 1994. He spent seven years on the Collateralized Debt Obligation structuring desk focusing on Emerging Markets, High Grade and Market Value transactions. From June of 2001 through February of 2003, he followed the CDO market as a Bear Stearns CDO research analyst in the asset-backed research group. Mr. Tannin has a J.D. from the University of San Francisco, was a law clerk on the California Court of Appeal and a Preston Warren scholar in philosophy at Bucknell University. He is a registered investment advisor.

Patrick Fleming

Managing Director Principal, Structuring and Documentation

Mr. Fleming joined BSAM as a Managing Director responsible for the Fund's legal, structuring, tax and accounting, and rating agency interactions in March of 2005 from the Financial Analytics and Structured Transactions (F.A.S.T.) group at Bear, Stearns & Co. Inc. Prior to joining Bear Stearns in 1996, Mr. Fleming received a B.A. in Political Science from Colgate University in 1992 and a J.D. from South Texas College of Law in 1996.

Biographies**Bear Stearns High-Grade Structured Credit Strategies
Portfolio Management Team (cont'd)****Jeremy Reifsnyder**

Managing Director Principal, CEO of the Derivative Products Company

Jeremy Reifsnyder joined BSAM in 2005 to oversee an AAA-rated credit derivatives product company and act as its Chief Executive Officer. He spent eight years in AAA-rated financial guarantee insurance at Capital Markets Assurance Corporation, MBIA and CFIG. There he led the groups offering insurance of structured finance transactions in Europe, Latin America and Asia as well as the U.S. Mr. Reifsnyder was a consultant to the Global ABS Group at Chase, Managing Director and Head of North American Structured Finance at Deutsche Bank and Deutsche Morgan Grenfell and a Vice President with Societe Generale and Continental Bank. He holds an MBA from the University of Pennsylvania, an MA from Harvard and a BA from Columbia University.

Peter Reagan

Managing Director, Credit Analyst

Mr. Reagan joined BSAM in July of 2005 from the Bear, Stearns & Co. Inc. Fixed Income Research group where he followed the financial institution and health care sectors. Prior to joining Bear Stearns in 2002, Mr. Reagan was a Director with Fitch Ratings, covering financial institutions. During his tenure at Fitch Ratings, Mr. Reagan was also a lead ratings analyst for a broad array of mortgage and non-mortgage structured finance transactions. Mr. Reagan has an M.B.A. / M.S. in Accounting from Northeastern University, and a B.A. in Economics from Union College. In addition to attaining the CPA designation, Peter has also completed Level I of the Chartered Financial Analyst program.

Andrew Lipton

Managing Director, Portfolio Management and Surveillance

Andrew Lipton, came to BSAM after being a Vice President-Senior Credit Officer in the Structured Finance Group at Moody Investors Service. Mr. Lipton analyzed and wrote about many asset-backed and mortgage-backed securitizations at Moody's, involving numerous asset classes. His background in mortgage-related assets includes the prime and subprime sectors, Alt-A mortgages, home equity, HELOCs, high LTV, seasoned mortgages, tax liens, and timeshares. Mr. Lipton was as an attorney with the Department of Housing Preservation and Development of the City of New York before going to Moody's. Mr. Lipton obtained his J.D. from Hofstra Law School and his B.A. from Queens College

Stuart Rothenberg

Managing Director, Portfolio Management and Surveillance

Mr. Rothenberg joined BSAM in November of 2005. He is responsible for the analysis of all the fund's collateralized debt obligations (CDO's). Prior to joining BSAM, he spent 6 years at Standard & Poor's where he was a Director in the CDO group. Prior to S&P, he was the Product Manager of Structured Finance Trust Services at IBJ Schroder. Mr. Rothenberg holds an MBA in Finance & Investments from Baruch College and BS degree in Business Administration from the State University of New York at Oswego.

Biographies**Bear Stearns High-Grade Structured Credit Strategies
Portfolio Management Team (cont'd)****Joanmarie Pusateri**

Managing Director, CP and Fund Position Financing

Ms. Pusateri has worked in the Bear Stearns institutional fixed income sales department for 19 years where she focused on trade settlement and administration for asset-backed, government, mortgage and corporate bonds. She is currently responsible for managing the fund's settlements and financing activities including all the ABS CP funding for the KLIO vehicles. Ms. Pusateri received a B.A. in Business Administration from Adelphi University in 1983.

Laurence T. Freed

Managing Director, Surveillance Officer and Database Architect

Mr. Freed joined BSAM in 2004. Prior to joining BSAM, he was a vice president/senior credit officer with Moody's Investors Service in the structured finance group. Mr. Freed began his career as a derivatives product specialist with Bear, Stearns & Co. Mr. Freed holds a Masters of International Affairs from Columbia University and a B.A. magna cum laude in History from Rutgers University.

Ardavan Mobasheri

Associate Director, Quantitative Strategist

Mr. Mobasheri has been with Bear Stearns since 2002. He spent 2 years as a strategist in the Portfolio Strategies Group focusing on balance sheet and portfolio analysis of Banks, Thrifts, and Credit Unions. From 2000 to 2002 he was a Partner and Head of Risk Management and Trading at TriStar Advisors LLC. Mr. Mobasheri has a M.S. in Financial Engineering from Polytechnic University in New York and is currently a PhD candidate in Economics at the City University of New York. He is a CFA Charterholder (CFA) and a certified Financial Risk Manager (FRM).

Manuel E. Villar

Associate Director, Credit-Default Swaps Trading and Hedging

Mr. Villar joined the BSAM in 2004 but has been managing fixed income portfolios and trading fixed income securities and derivatives since 1994. Prior to joining Bear Stearns, Mr. Villar was the head trader at Westmoreland Capital Management, a structured credit asset manager. From 1994 through 2000, Mr. Villar was a Vice President at UBS Global Asset Management where he served as Portfolio Manager in the Quantitative Investments Group responsible for the management and trading of fixed income structured, indexed, and listed derivatives portfolios. Mr. Villar earned his B.S. in Finance/Economics from Fordham University in 1994.

Biographies

Bear Stearns High-Grade Structured Credit Strategies Portfolio Management Team (cont'd)

Steven Van Solkema, CFA

Associate Director, Portfolio Management and Surveillance

Mr. Van Solkema has worked for BSAM since 2003. He is currently responsible for analysis and surveillance of all the fund's collateralized debt obligations. Prior to that, he spent five years at Goldman Sachs as a performance and risk analyst where he specialized in attribution analysis of leveraged fixed income accounts. He holds an M.B.A. in Finance from NYU Stern, and a B.B.A. in Finance and Investments from Baruch College where he was Solon E. Summerfield Scholar. Mr. Van Solkema is also a CFA charterholder.

Peter Hamptian

Vice President, Credit Analyst

Peter Hamptian joined BSAM in 2005 to research Equity ideas for the High Grade Structured Credit Group. He was a partner at GKM Asset Management co-managing the equities hedge fund. Prior to that, he managed the equity investments of the V. S. Hovnanian Group in New Jersey for ten years. He acquired an MA from Columbia University and holds a BA from Rutgers.

Douglas Logan

Vice President, Credit Analyst

Mr. Logan joined BSAM in 2004, but has been with Bear Stearns since 1997 where he was part of the institutional fixed income department. He spent two years as a senior research analyst focusing on industrial credits followed by five years as a High Grade Corporate trader and salesperson. Prior to working at Bear Stearns, Mr. Logan was with PaineWebber for five years working with municipal securities. Mr. Logan has an M.B.A. from Columbia University and B.A. in Mathematics from Franklin & Marshall College.

Thomas Torsney-Weir

Vice President

Mr. Torsney-Weir joined BSAM in 2004 from the CDO group at Moody's Investors Service where he was the liaison between Moody's analysts and Moody's CDO Analytics developers in New York and San Francisco. He has a B.S. in Computer Science from Georgetown University and is an M.S. candidate in Computer Science at New York University.

Biographies**Bear Stearns High-Grade Structured Credit Strategies
Portfolio Management Team (cont'd)****James Karper**

Vice President, Portfolio Management and Surveillance

Mr. Karper has been with Bear Stearns since 2001. He is presently an analyst focusing on sub-prime and residential mortgage backed securities. Prior to joining High Grade Strategies, he was a trader on the Institutional Futures Agency Desk covering financial and energy products for Asia/Pacific hours. Mr. Karper received his B.A. in History from Hobart and William Smith College in 1998.

Jessica Borenkind

Funding and Trade Settlement

Jessica Borenkind joined BSAM in 2004 as a part of the Fund's repo and commercial paper trading effort from Bear, Stearns & Co.'s Government department. Ms. Borenkind earned a B.S. with honors in Family and Consumer Education; Business and Community Setting from the University of Wisconsin - Madison in 2001.

Jaime Silvela

Analyst, Database Architect

Jaime Silvela joined Bear Stearns Asset Management in May of 2005 as a programmer for the High Grade Structured Credit Strategies fund. Prior to Bear Stearns, Mr. Silvela completed an M.S. in Computer Science from Columbia University in 2005, and spent three years in the technology industry as a programmer at Nortel Networks and IBM. Mr. Silvela also holds a B.S. and an M.S. in Electrical Engineering from the Universidad de Politecnica in Madrid, Spain.

Biographies

**Bear Stearns High-Grade Structured Credit Strategies
Portfolio Management Team (cont'd)****Richard Bierbaum**

Trading Assistant and Trade Processing

Before joining HGSCS, Mr. Bierbaum worked as a trading assistant in the Bear Stearns Municipal Bond department. Prior to that, he worked large equity orders as agent for BSAM wrap accounts, and fee-based PCS customers. He received a Bachelor of Arts degree from Trinity College in 2003 and recently completed Level II of the Chartered Financial Analyst program.

Annie Cherniack

Database Management

Ms. Cherniack joined BSAM in August of 2005. Prior to Bear Stearns, Ms. Cherniack was an Asset Backed Security origination analyst for Citigroup and ABN AMRO Inc. She earned a B.A. with Class Honors in Economics from the University of Michigan – Ann Arbor in 2001, and recently completed Level II of the Chartered Financial Analyst program.

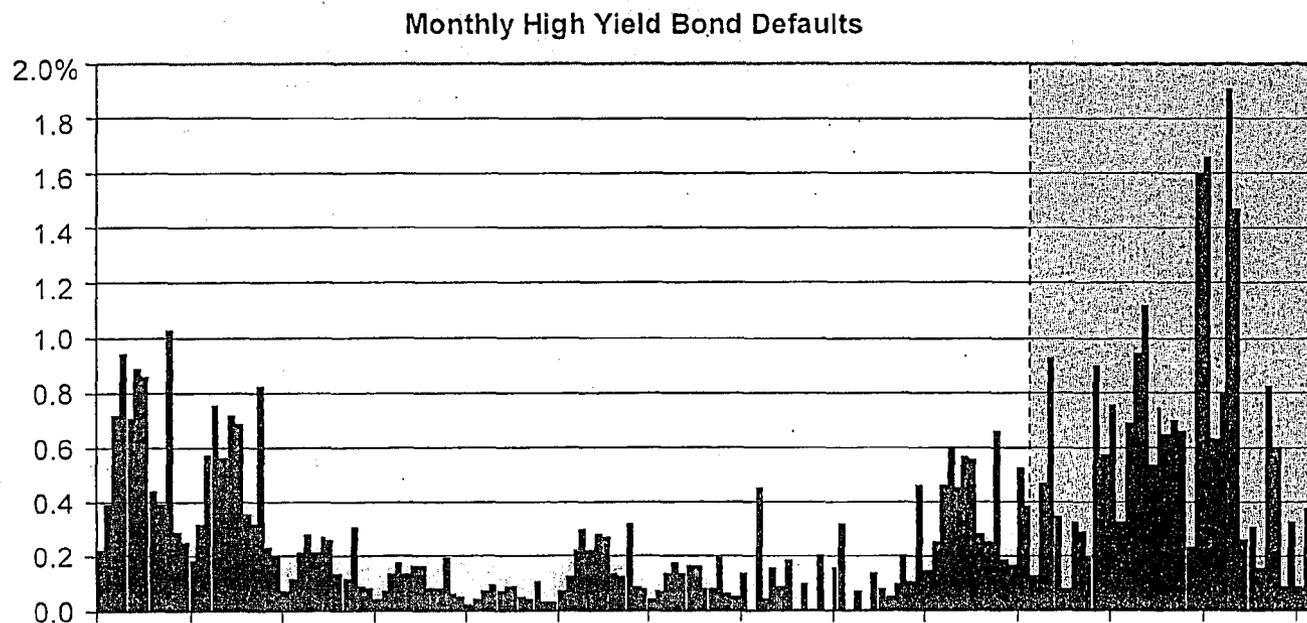
**Bear Stearns –
An Experienced Participant in the
Structured Finance Market**

Bear Stearns Structured Finance – A Wall Street Leader

- The Bear Stearns research effort is headed by Gyan Sinha, an Institutional Investor First Team All-American analyst, who leads a team of four analysts specifically devoted to structured finance research. Mr. Sinha developed the PACRE™ CDO pricing model used by the firm and the fund in valuing and stressing CDO positions
- Bear Stearns is a leading Wall Street secondary trader of CDOs. In 2005, the desk traded \$6 billion in the first two quarters, and in 2004, the desk traded approximately \$9.0 billion
- Supporting both the trading and research desks is an analytics team of seven professionals who model every position traded by the desk

High Yield Bond Default History (1990 – 2003)

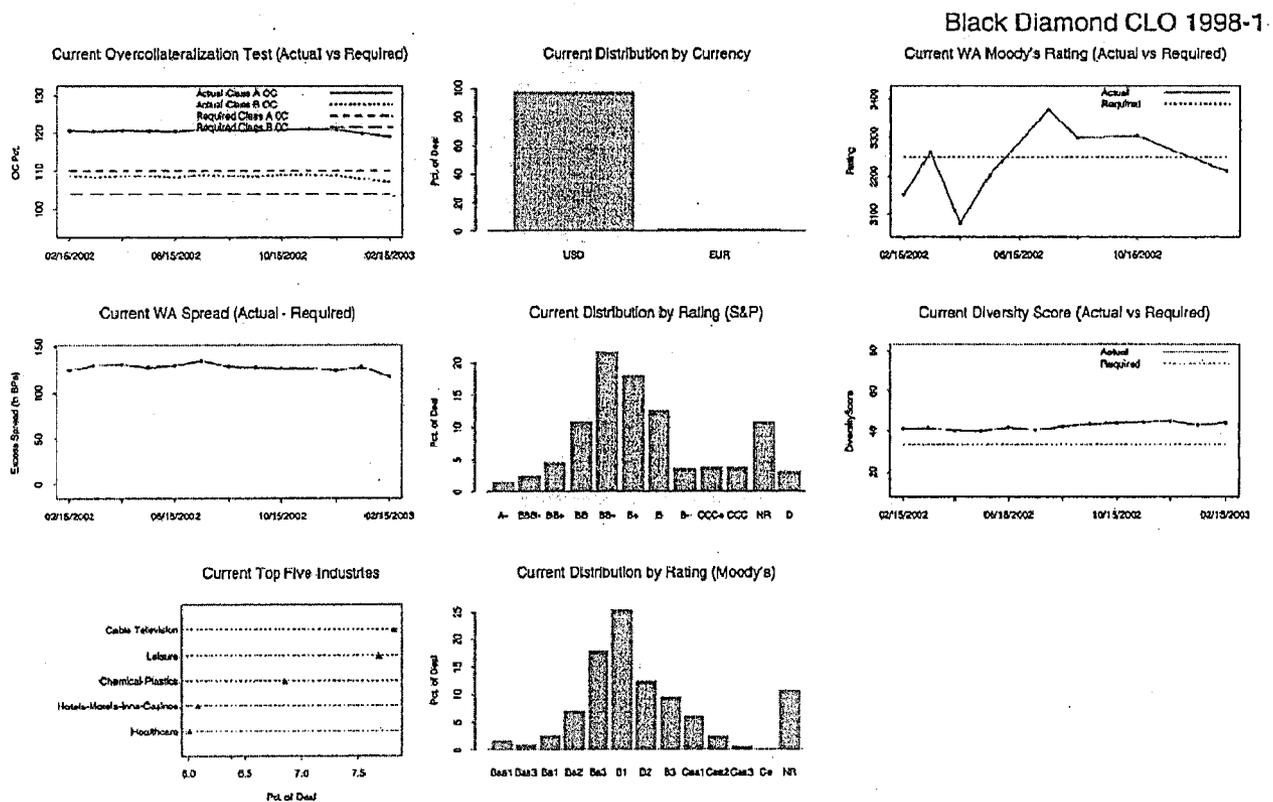
- During the sample period (2000 – 2003) high yield defaults ran at twice the average level for the period between 1990 and 2003 (7.65% vs. 3.92%)



Source: Bear Stearns.

CDO Monitoring Capabilities

➤ Monthly Default and Performance Report



This information should be considered only after reading Bear Stearns' Statement Regarding Assumptions as to Securities, Pricing Estimates, and Other Information (The Statement), which should be attached. Do not use or rely on this information if you have not received and reviewed the Statement. You may obtain a copy of the Statement from your sales representative.

CDO Analytic Capabilities — FASTrader

- FASTrader System permits user to sort and select by numerous selection criteria to run field specific scenarios

Collateral Selector

Tools

Security:

Filter:

Logical	Field	Operator	Value
	Dated Date	<	1/1/97

History:

All

Dated Date < 1/1/97

Collateral List

	Include	Name	Original Amount	Current Amount	Current Par Amount	Gross Coupon	State	S&P	Moody	Date
1	<input checked="" type="checkbox"/>	CUS420804AB2	3,000,000.00	3,000,000.00	3,000,000.00	11.00	D	NR		7/2/1
2	<input checked="" type="checkbox"/>	CUS619903AB3	2,000,000.00	2,000,000.00	2,000,000.00	12.63	B+	B3		8/1/1
3	<input checked="" type="checkbox"/>	CLJ571645KAB3	1,000,000.00	1,000,000.00	1,000,000.00	12.50	B	Caa1		5/24/
4	<input checked="" type="checkbox"/>	CUS67956RAB7	4,000,000.00	4,000,000.00	4,000,000.00	11.00	CCC-	Caa3		10/3/
5	<input checked="" type="checkbox"/>	UBBU00040213	.00	.00	.00	.00	A	A2		1/1/1
Summary:			10,000,000	10,000,000	10,000,000	11.48				

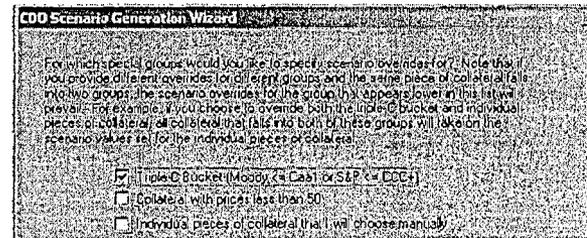
Scenario: Assets Pending Downgrade

5 of 136 Collateral Selected

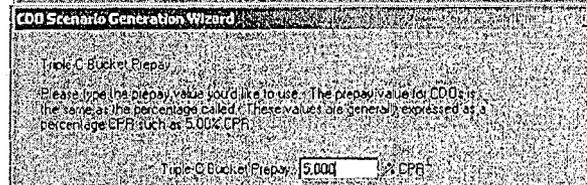
Prepay	Type	Default Rate	Severity	Lag	Lockout	Adv. Prn	Adv. Int	Adv. Age	Der
<input checked="" type="checkbox"/>	00% CPR	No Loss							

CDO Analytic Capabilities — FASTrader

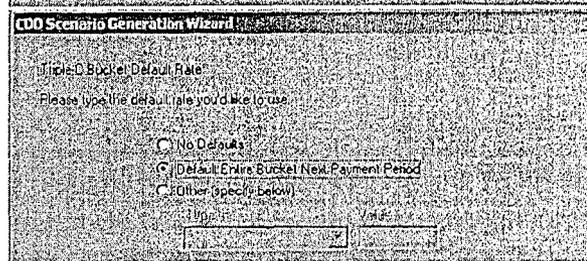
Collateral specific sensitivity criteria



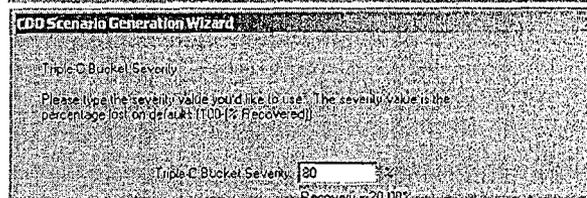
Prepayment speeds



Default rate



Severity percentage



BSAM Overview

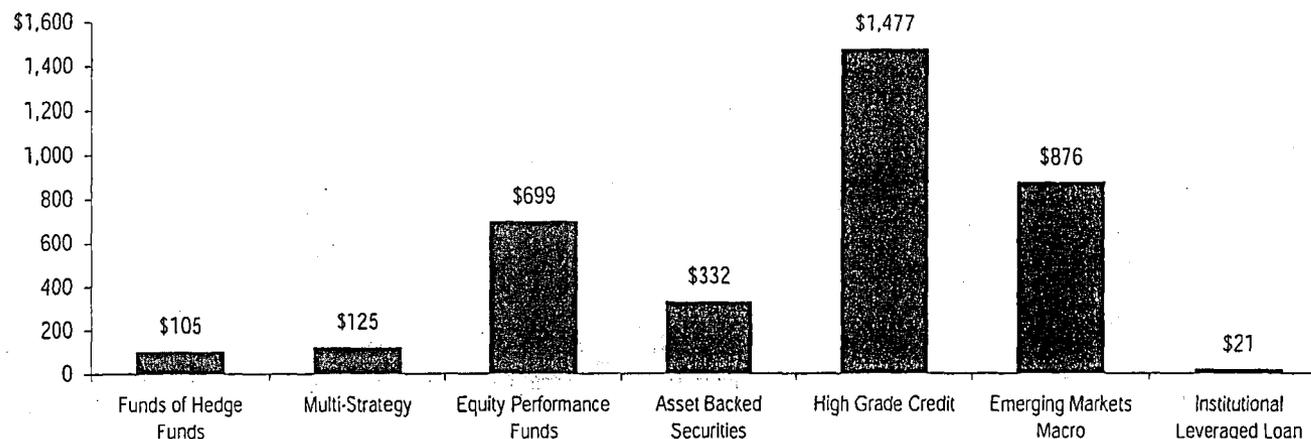


Firm Mission Statement

Bear Stearns Asset Management Inc. ("BSAM[®]") is focused on high value added investment solutions that span traditional and alternative assets for institutional and high net worth investors. We are committed to providing our clients with world-class investment management and thorough communication of both risks and returns.

Bear Stearns Hedge Fund Assets as of 12/31/05

Total Hedge Fund Assets \$3.5 Billion¹



This chart is for informational purposes only and does not constitute an offer to sell or solicitation to buy private investment fund interests. Any investment in a private investment fund involved risks not associated with more conventional investment alternatives. This does not constitute an offer to sell or solicitation to buy private investment fund interests. Any investment in a private investment fund involves significant risks not associated with more conventional investment alternatives. These interests will be offered and sold only to "eligible investors," defined as institutional investors, individuals and other entities that satisfy certain minimum income, net-worth, and/or other requirements. Risk factors, fee and expense information are set forth in each fund's Confidential Placement Memorandum.

¹ A portion of the assets raised by the Bear Stearns Multi-Strategy Funds are included in BSAM's single strategy funds. The Bear Stearns Multi-Strategy fund's assets total approximately \$125 million.

Bear Stearns Commitment to Hedge Funds

- Area of focus and strategic importance to Bear Stearns
 - Approximately \$3.5 billion in total hedge fund assets from \$46 million in 1995
- Organic growth: Building infrastructure and adding capabilities
 - Utilize current or former Bear Stearns employees
 - Use current strategies on various trading desks
- Significant Employee Participation
 - Approximately \$50 million invested across all hedge fund strategies by Bear Stearns employees
- Bear Stearns commitment to strategies
 - In addition to the \$3.5 billion in hedge fund assets, the investment teams manage up to \$1 billion in proprietary capital accounts managed similar to hedge fund strategy