THE BEAR STEARNS COMPANIES INC.

Minutes of Special Meeting of Board of Directors – December 12, 2007

A special meeting of the Board of Directors of The Bear Stearns Companies Inc. (the "Board"), a Delaware corporation ("TBSCI"), was held at 383 Madison Avenue, New York, New York on Wednesday, December 12, 2007, beginning at 3:00 P.M.

1. **Attendance and Organization**

The following directors were present:

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

being all of the directors (with Messrs Bienen, Novelly and Salerno participating via teleconference) and constituting a quorum thereof. Also present were the following officers of TBSCI: Samuel L. Molinaro Jr., Executive Vice President; Jeffrey Mayer, Executive Vice President; Michael S. 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 stated that notice of this meeting of the Board was given on December 5, 2007, and directed that a copy of such notice be annexed to the minutes of the meeting.

3. Preliminary Review of the Results of Operations of TBSCI for the Fourth Fiscal Quarter Ended November 30, 2007

The first order of business was a report by Mr. Molinaro on the preliminary results of operations for the fourth quarter of fiscal year 2007, which ended November 30, 2007.

Mr. Molinaro estimated that TBSCI's net loss for the 2007 fiscal fourth quarter amounted to $860 million, or $6.28 per diluted share versus net income of $584 million, or $4.00 per diluted share, for the comparable period of the prior year. Mr. Molinaro estimated that full year 2007 revenues, net of interest expense, was $5.9 billion and net income was $227 million (or $1.48 per diluted share) versus $9.23 billion and $2.12 billion (or $14.27 per diluted share), respectively, in fiscal year 2006. Mr. Molinaro estimated that revenues, net of interest expense, for the fourth quarter of fiscal year 2007 were approximately a negative $425 million versus a positive $2.41 billion in the comparable period a year ago. Mr. Molinaro stated that the negative revenues in the fourth quarter of fiscal year 2007 were a consequence of markdowns on Alt As, CDO warehouse, CDOs, CMBS, subprime warehouse mortgages, credit trading losses, and a Hong Kong-based warrant-strategy trading loss. Mr. Molinaro stated that fourth quarter 2007 results also were also negatively affected by BSAM litigation settlements, newly established legal reserves, and employee severance costs.

Mr. Molinaro reported that contributing positively to fiscal year 2007 results was a GAAP "credit spread" gain of approximately $600 million on TBSCI's debt and $750 million of 2007 compensation expense that will not be charged against earnings until future periods when employee vesting takes place. Mr. Molinaro reported that approximately 1,400 employees were laid off in fiscal year 2007, having the effect of reducing TBSCI's future annual operating expenses by approximately $350 million. Mr. Molinaro reported that employee compensation costs in fiscal year 2007 would approximate $3.4 billion, or 57.6% of net revenues, versus $4.34 billion, or 47.1% of net revenues, in fiscal year 2006. Mr. Molinaro explained that the "good leaver" provisions of employee stock plans would be eliminated and that equity awards, with future vesting requirements embedded, would be imposed on a higher percentage of an employee's total compensation in excess of $1 million.

4. Report on TBSCI's Liquidity

The next item of business was a report by Mr. Molinaro on TBSCI's overall liquidity position. Mr. Molinaro estimated that TBSCI's shareholder's equity would be approximately $11.8 billion at fiscal year-end 2007, while total assets would approximate $400 billion. Mr. Molinaro reported on TBSCI's current unsecured short-term borrowings; its secured lines of credit; and, its current excess liquidity. Mr. Molinaro reported on the widening of TBSCI's credit spreads and discussions currently underway with all three credit rating agencies.

5. Report on the Fixed Income Markets and Leverage Finance

The next item of business was a report on the fixed income markets and leverage finance inventories by Mr. Mayer. Mr. Mayer focused on the continuing turbulence and decay that has taken place in the fixed income markets during TBSCI's fourth fiscal 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 experiencing downward repricing of mortgage products as a result of unfavorable supply/demand imbalances, mortgage delinquencies and rating agency downgrades. Mr. Mayer addressed TBSCI's leverage loan commitments and inventory, specifically mentioning the status of Harrah's Casino, Chrysler, Florida East Coast and Hilton Hotels.

6. **Adjournment of the Board Meeting**

There being no further business to come before the meeting, it was, on motion, adjourned at 4:10 P.M.

Kenneth L. Edlow

Kenneth L. Edlow
Secretary

