Submission for Final Authorization (the Submission)[1]

Section I. Covered Transactions

If the Submission receives final authorization from the Department, the restrictions of section 406(a)(1)(A) through (D) of the Act and the sanctions resulting from the application of section 4975 of the Code, by reason of section 4975(c)(1)(A) through (D) of the Code, shall not apply to (1) the purchase, sale or holding by employee benefit plans covered under the provisions of Title I of the Act, and/or subject to section 4975 of the Code (the Plans), other than Plans sponsored and maintained by The Bear Stearns Companies Inc. (Bear Stearns or the Applicant) or its affiliates (now or in the future) (collectively, and together with Bear Stearns, the Bear Stearns Entities) for the benefit of the employees of one or more Bear Stearns Entity, of certain fixed-rate and variable-rate debt instruments issued by any Bear Stearns Entity (the Debt Securities) and (2) the extension of credit by the Plans to the Bear Stearns Entities in connection with the holding of the Debt Securities.

This Submission is subject to the general conditions that are set forth below in Section II.

Section II. General Conditions

(a) The Debt Securities are made available by the Bear Stearns Entities in the ordinary course of their business to Plans as well as to customers that are not Plans.

(b) The decision to invest in the Debt Securities is made either by (i) a Plan participant in a Plan that provides for participant-directed investments (the Plan Participant) or (ii) another Plan fiduciary (the Independent Plan Fiduciary); each Plan Participant and Independent Plan Fiduciary will not be an affiliate of and will be independent from the Bear Stearns Entities.

(c) None of the Bear Stearns Entities have any discretionary authority or control or provide any investment advice, within the meaning of 29 C.F.R. 2510.3-21(c), in each case, with respect to the decision on behalf of the Plan to invest its assets in the transactions.

(d) The Plans pay no fees or commissions to any Bear Stearns Entity in connection with the transactions covered by the requested Submission, other than the mark-up for a principal transaction permissible under Part II of Prohibited Transaction Class Exemption (PTCE) 75-1 (40 FR 50845, October 31, 1975).[2]

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[1] For purposes of this proposed exemption, references to provisions of Title I of the Act, unless otherwise noted herein, refer also to corresponding provisions of the Code.

[2] The Bear Stearns Entities understand that any final authorization that may be provided by the Department with respect to this matter would not address the issue as to whether any principal transactions involving debt securities would be covered by PTCE 75-1, or whether any particular mark-up by a broker-dealer for such transaction would be permissible under Part II of PTCE 75-1.

(e) The issuer Bear Stearns Entity agrees to notify Plan investors in the prospectus, or related prospectus supplement, as applicable (the Prospectus) for the Debt Securities that, at the time a Plan investor acquires the Debt Security, no more than 15 percent of a Plan's assets should be invested in any of the Debt Securities or any other investment products that contain similar characteristics to the Debt Securities.

(f) The Debt Securities do not have a duration that exceeds nine years from the date of issuance.

(g) Prior to a Plan's acquisition of a Debt Security, the issuer Bear Stearns Entity fully discloses to the Independent Plan Fiduciary or Plan Participant in the Prospectus all of the material terms and conditions of such Debt Security including the Department of Labor's authorization for the transaction,[3] and including, but not limited to, the following:

(1) A statement to the effect that the Debt Security will be denominated in U.S. dollars;

(2) The fixed rate of return or the index or indices (each, an Index, and together, the Indices) on which the rate of return on the Debt Security is based;

(3) A numerical example, designed to be understood by the average investor, which explains the calculation of the return on the Debt Security at maturity and reflects, among other things, (i) a hypothetical initial value and closing value of the applicable Index or Indices, and (ii) the effect of any adjustment factor on the percentage change in the applicable Index or Indices;

(4) The date on which the Debt Security is issued;

(5) The date on which the Debt Security will mature and the conditions of such maturity;

(6) The initial date on which the value of the Index or Indices are calculated;

(7) Any adjustment factor or other numerical methodology that would affect the rate of return, if applicable;

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[3] This authorization should not be interpreted as an endorsement by the Department of the investments, transactions, or methodologies described herein. Section 404(a)(1) of the Act requires, among other things, that a plan fiduciary shall discharge his or her duties prudently, solely in the interest of the plan's participants and beneficiaries, and for the sole purpose of providing benefits to the participants and beneficiaries. In addition, plan fiduciaries have a continuing obligation to evaluate and monitor the prudence of all investments, transactions, and operations relating to the administration of the plan. The discussion in the Prospectus concerning this authorization by the Department must be accompanied by a statement that the authorization does not represent an endorsement by the Department of the subject investment products, and that it is the responsibility of the person making the investment decision on behalf of the plan to determine whether the purchase of such products constitutes a prudent investment.

(8) The ending date on which interest is determined, calculated and paid;

(9) Information relating to the calculation of payments of principal and interest, including a representation that, at maturity, the beneficial owner of the Debt Security is entitled to receive the entire principal amount, plus, as applicable, a fixed or variable return or an amount derived directly from the growth (if any) in the Index or Indices (but in no event less than zero);

(10) All details regarding the methodology for measuring performance;

(11) The terms under which the Debt Security may be redeemed;

(12) The exchange or market where the Debt Security is traded or maintained; and

(13) Copies of the Notice to Interested Persons and Appendix relating to the request for final authorization, will be made available to the Plan investor upon request.

(h) To the extent acquired from any Bear Stearns Entity, the terms of a Plan's investment in the Debt Securities are at least as favorable to the Plan as those that would be available to an unrelated non-Plan investor in a comparable arm's length transaction at the time they are acquired by the Plan.

(i) The Debt Securities are listed on at least one major securities exchange. In the event the Debt Securities are delisted from all nationally recognized securities exchanges on which they are traded, a Bear Stearns Entity that is a broker-dealer will apply for trading through the National Association of Securities Dealers Automated Quotations System (NASDAQ) or other nationally recognized exchange or price quotation system, which requires that there be independent market-makers establishing a market for such securities in addition to such broker-dealer affiliate. If there are no independent market-makers, the relief that would be provided by the final authorization in response to this Submission will no longer be considered effective with respect to purchases after that date.

(j) The Debt Securities are rated in one of the three highest generic rating categories by at least one nationally-recognized statistical rating service at the time they are acquired by the Plan.

(k) The rate of return for the Debt Securities is fixed or objectively determined and, following issuance, the Bear Stearns Entities retain no authority to affect the determination of the return for such security, other than in connection with a "market disruption event" (the Market Disruption Event) that is described in the Prospectus for the Debt Securities or certain other extraordinary circumstances specified in the Prospectus.

(l) The interest payable on the Debt Securities is based on a fixed rate of return, or based on an Index or Indices, where, in the case of any rate based on an Index or Indices, each individual applicable Index will be:

(1) Created and maintained[4] by an entity that is unrelated to the Bear Stearns Entities and is a standardized and generally-accepted Index of securities or commodities which may include, but not be limited to, an index of securities evidencing interests in hedge funds; or

(2) Created by a Bear Stearns Entity, but maintained by an entity that is unrelated to the Bear Stearns Entities, and

(i) Is either (A) a standardized and generally-accepted Index of securities or commodities, or (B) an Index comprised of publicly-traded securities or commodities that are not issued by the Bear Stearns Entities, which securities or commodities are designated in advance and listed in the Prospectus for the Debt Securities. Under either circumstance, the Bear Stearns Entities may not unilaterally modify the composition of the Index or Indices, including the methodology comprising the rate of return other than in certain extraordinary circumstances described in the applicable Prospectus for the Debt Securities; these include situations in which the person or entity maintaining the Index changes or discontinues the Index and situations where one or more of the inputs into the Index no longer provides an accurate representation of what the Index measures. If a change to an Index is not material, the Calculation Agent will continue its calculations based on the changed Index. If, in more remote circumstances, the change is material, the Calculation Agent will use the original inputs into the Index in its calculations. In the most remote circumstance, where the original inputs are no longer available or no longer provide an accurate representation, the Calculation Agent will utilize its discretion to perform its calculations in a manner that it in good faith believes to reflect the original Index related to the Debt Securities.

(ii) Meets the requirements for an Index in Rule 19b-4 (Rule 19b-4) under the Securities Exchange Act of 1934 (the 1934 Securities Act),

(iii) The index value (the Index Value) for any applicable Index is publicly disseminated through an independent pricing service, such as Reuters Group, PLC (Reuters) or Bloomberg L.P. (Bloomberg), or through a national securities exchange, such as the American Stock Exchange (AMEX), and

(iv) Each Index will be characterized by: (a) the application of objectively-determined investment criteria and formulas; (b) wide public availability; (c) ease of access to the daily closing price through electronic media; (d) independence from the Bear Stearns Entities; (e) lack of susceptibility to manipulation by any Bear Stearns Entity; (f) reputation as a well-known and commonly-utilized Index; and (g) capability of the Index's rate of return to be

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4 For purposes of this request for authorization, the term "maintain" means that all calculations relating to the securities in the Index, as well as the rate of return of the Index, are made by an entity that is unrelated to the Bear Stearns Entities.

duplicated and reproduced in a mechanical fashion by any entity or person unrelated to the Bear Stearns Entities utilizing the same data inputs.

(m) The Bear Stearns Entities do not trade in any way intended to affect the value of the Debt Securities through holding or trading in the securities or commodities which comprise any applicable Index.

(n) One or more Bear Stearns Entities maintains, for a period of six years, the records necessary to enable the persons described in paragraph (o) of this section to determine whether the conditions of this Submission have been met, except that—

(1) A prohibited transaction will not be considered to have occurred if, due to circumstances beyond the control of the Bear Stearns Entities, the records are lost or destroyed prior to the end of the six year period; and

(2) No party in interest other than the Bear Stearns Entities shall be subject to the civil penalty that may be assessed under section 502(i) of the Act, or to the taxes imposed by section 4975(a) and (b) of the Code, if the records are not maintained, or are not available for examination as required by paragraph (o) below.

(o)(1) Except as provided in section (o)(2) of this paragraph and notwithstanding any provisions of subsections (a)(2) and (b) of section 504 of the Act, the records referred to in paragraph (n) are unconditionally available at their customary location during normal business hours by:

(A) Any duly authorized employee or representative of the Department, the Internal Revenue Service or the Securities and Exchange Commission (the SEC);

(B) Any fiduciary of a participating Plan or any duly authorized representative of such fiduciary;

(C) Any contributing employer to any participating Plan or any duly authorized employee representative of such employer; and

(D) Any Plan Participant or beneficiary of any participating Plan, or any duly authorized representative of such Plan Participant or beneficiary.

(o)(2) None of the persons described above in subparagraphs (B)-(D) of paragraph (o)(1) are authorized to examine the trade secrets of the Bear Stearns Entities or commercial or financial information that is privileged or confidential.

ATTACHMENT II

Summary of Facts and Representations

1. *The Applicant* is The Bear Stearns Companies Inc. (Bear Stearns or Applicant), on behalf of itself and its affiliates (now or in the future) (Bear Stearns and such affiliates collectively referred to herein as the Bear Stearns Entities), including such affiliates that are

registered broker-dealers under Section 15 of the Securities Exchange Act of 1934 (the "Exchange Act"), such as Bear, Stearns & Co. Inc. ("BS&Co.") and Bear, Stearns Securities Corp. ("BSSC").

2. *The Plans* will consist of employee benefit plans subject to Title I of the Act as amended and/or plans within the meaning of Section 4975(e)(1) of the Code (the Plans). For purposes of this Submission, the Plans will not consist of Plans that are sponsored and maintained by any Bear Stearns Entity for the benefit of its employees. In the case of the Bear Stearns Entities' in-house Plans, the Applicant represents that the acquisition and holding of the Debt Securities by such Plans may be covered under the statutory exemption that is provided under section 408(e) of the Act.

3. The Applicant represents that the activities of Bear Stearns and its affiliated registered U.S. broker-dealers are subject to various levels of oversight and regulation by the SEC and other federal and state regulatory agencies, and that certain of Bear Stearns' affiliated registered U.S. broker-dealers are subject to oversight and regulation by the Commodities Futures Trading Commission, and the oversight of self-regulatory organizations such as the New York Stock Exchange Inc. (NYSE) and the American Stock Exchange LLC (AMEX). The Applicant further represents that BS&Co. and BSSC, as registered U.S. broker-dealers and members of the NYSE, are subject to the Net Capital Rule 15c3-1 under the Exchange Act, which specifies the minimum net capital requirement of a broker-dealer. The Applicant represents that the activities of its non-U.S. registered broker dealer affiliated entities are subject to other applicable regulations and oversight as prescribed by the appropriate governmental authority.

4. Bear Stearns represents that the Bear Stearns Entities routinely need capital, for example, in order to maintain inventories of securities for their market-making and other business activities. For these reasons, Bear Stearns states that the Bear Stearns Entities have a continuous need to borrow funds from various institutional and individual investors for use in their business operations. In response to this need, the Bear Stearns Entities issue various debt securities generally rated in one of the three highest generic rating categories by nationally-recognized rating firms, offering varying levels of risk and potential return. Among the debt securities offered by the Bear Stearns Entities are the Debt Securities, which are publicly-offered, secured or unsecured, SEC-registered debt securities, with a duration not longer than nine years. The Debt Securities will be U.S. dollar-denominated. Further, the Debt Securities will offer varying levels of risk and rates of return. The Debt Securities would be listed on at least one major securities exchange.

Thus, the Debt Securities may be offered on a variety of terms and formulas under a fixed rate of return or an objectively determined variable rate based on an Index or Indices determined by the calculation agent. The calculation agent may be the issuer of the Debt Securities or any of its affiliates. Bear Stearns represents that the formulas used to calculate the rates of return will be designed to be understood by the average investor and clearly described in the "plain English" summary of the Debt Securities in the applicable Bear Stearns Entity's Prospectus.

5. One or more Bear Stearns Entities may be parties-in-interest or disqualified persons with respect to many Plans because one or more Bear Stearns Entities either directly

provide services to such Plans (such as custodial, investment management, or other financial services), or are related to such a service provider. As a result, the acquisition and holding of the securities by such Plans may be prohibited by Section 406(a) of the Act and/or Section 4975(c)(1)(A) through (D) of the Code.

Bear Stearns, on behalf of itself and the other Bear Stearns Entities, requests a final authorization under PTCE 96-62 from the Department to enable Plans to invest in the Debt Securities under the terms and conditions described in this Submission and to avoid liability for prohibited transactions that could be considered to result from such investments.

6. Bear Stearns believes that Part II of PTCE 75-1 provides relief for principal transactions between a broker-dealer and a Plan, and would cover, for example, a purchase of a broker-dealer parent's debt securities by a Plan (if the conditions required therein were met). Nevertheless, Bear Stearns understands that some Plan fiduciaries have expressed concern regarding the application of PTCE 75-1 to broker-dealer sales of broker-dealer parent debt to Plans either as part of an original issue of the securities or in the secondary market.

Further, Debt Securities are often sold pursuant to PTCE 96-23 (61 Fed. Reg. 15975, April 10, 1996),[5] or PTCE 84-14 (49 Fed. Reg. 9494, March 13, 1984; as corrected at 50 Fed. Reg. 41430, October 10, 1985; and as amended at 70 Fed. Reg. 49305, August 23, 2005).[6] However, Bear Stearns notes that PTCE 96-23 is unavailable to participant-directed, defined contribution Plans and other small Plans because these Plans, due to their size, are unlikely to have INHAMs responsible for making investment decisions relating to the acquisition, holding and disposition of securities in which the Plans invest. Similarly, Bear Stearns notes that while PTCE 84-14 minimizes the risk of inadvertent prohibited transactions for Plans whose assets are managed by a QPAM, Bear Stearns believes it is unlikely that participant-directed, defined contribution Plans or small Plans would incur the expense of a QPAM for the purchase and continued holding of the Debt Securities. Bear Stearns also believes that the additional cost of a QPAM for a small Plan with a small investment would not be cost-effective. Bear Stearns further explains that this cost would be uneconomical here because the QPAM may have to continue its services for the entire period during which the Debt Securities are held by the Plan since some fiduciaries might be concerned that the potential prohibited transaction is not just a sale or exchange, under section 406(a)(1)(A) of the Act, but is also an extension of credit, under

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[5] PTCE 96-23 permits various transactions involving employee benefit plans whose assets are managed by an in-house asset manager (the INHAM). An INHAM is an entity which is generally a subsidiary of the employer sponsoring the plan. The INHAM is also a registered investment adviser with management and control of total assets attributable to plans maintained by the employer and its affiliates that are in excess of $50 million.

[6] PTCE 84-14 provides a class exemption for transactions between a party in interest with respect to an employee benefit plan and an investment fund (including either a single customer or pooled separate account) in which the plan has an interest, and which is managed by a qualified professional asset manager (the QPAM), provided certain conditions are met. QPAMs (e.g., banks, insurance companies, registered investment advisers with total client assets under management in excess of $85 million (subject to a transition rule)) are considered to be experienced investment managers for plan investors that are aware of their fiduciary duties under the Act.

section 406(a)(1)(B) of the Act. Accordingly, Bear Stearns states that the cost of a QPAM would preclude small Plans from being able to purchase the Debt Securities without creating the risk of a prohibited transaction.

7. The Bear Stearns Entities propose to continue offering the Debt Securities to non-Plan investors and maintain that these investors will continue to constitute a substantial market for the Debt Securities. However, for each Plan investor, Bear Stearns represents that, to the extent the Debt Securities are acquired from a Bear Stearns Entity, the terms of the Plan's investment in the Debt Securities will be at least as favorable to the Plan as those that would be available to an unrelated non-Plan investor in a comparable arm's length transaction at the time the Debt Securities are acquired by the Plan. Additionally, Bear Stearns represents that no Plan will pay the Bear Stearns Entities any fees or commissions in connection with transactions involving the Debt Securities, except for the mark-up for a principal transaction permitted under PTCE 75-1.

In addition to the aforementioned requirements, Bear Stearns represents that a Plan's investment in the Debt Securities will not be permitted to the extent any of the Bear Stearns Entities has discretionary authority or provides investment advice within the meaning of 29 C.F.R. 2510.3-21(c), in each case, with respect to the decision on behalf of the Plan to invest its assets in the Debt Securities. In this regard, the decision to invest in the Debt Securities will be made either by a Plan Participant or an Independent Plan Fiduciary that is not an affiliate of the Bear Stearns Entities. Moreover, Bear Stearns represents that the Prospectus for each of the Debt Securities that are offered to the Plans will contain a recommendation that no more than 15 percent of a Plan's assets should be invested in any Debt Security or any other investment products that contain characteristics similar to the Debt Securities at the time such security is acquired by a Plan.[7]

8. The Debt Securities will be rated in one of the three highest generic rating categories by a nationally-recognized rating firm at the time of acquisition by a Plan. There will be no triggering events or early amortization events if the issuer Bear Stearns Entity's credit rating drops below a certain level established by a rating agency. Throughout the term of any of the Debt Securities, the Plans will be able to access the latest bid and asked price quotations for all of the Bear Stearns Entity's Debt Securities by calling a broker or any electronic service with a recognized price quotation delivery system. If a Plan wishes to terminate a Debt Securities

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[7] In this regard, Bear Stearns proposes to include the following statement in the Prospectus for each of the Debt Securities, under a heading entitled "Plan Considerations" (or other similar heading specific to ERISA or employee benefit plans):

> These Debt Securities are being sold to plans pursuant to an authorization issued by the Department of Labor. In accordance with the terms of this exemption, we are required to inform such plans that no more than 15 percent of plan (or individual participant) assets, at the time of acquisition, should be invested in Debt Securities or any other investment products that contain characteristics similar to the Debt Securities. Please note, however, that it is the responsibility of the person making the investment decision to determine whether the purchase is a prudent investment for the plan (or participant-directed account).

investment prior to maturity, such investor may do so by selling the Debt Security on the open market at the prevailing market price. However, the issuer of the Debt Securities may not unilaterally terminate the Debt Securities prior to maturity unless the Debt Securities are callable at a specific price which will be disclosed in the Prospectus. Assuming the Debt Securities are callable, Bear Stearns represents that there will be no loss of principal on repurchase pursuant to the call.

9. As noted above, the rate of return for the Debt Securities may be fixed or variable. The Prospectus covering the Debt Securities will set forth the annual interest rate for fixed rate securities, and for variable rate securities, the formula to be applied to determine the interest payable. The formula will be based on an Index or Indices, that may be either (a) created and maintained by an entity that is unrelated to the Bear Stearns Entities or (b) created by the Bear Stearns Entities, but maintained by an unrelated entity.[8] The securities of any Bear Stearns Entity may comprise part of any applicable Index that is a standardized and generally-accepted Index.

(a) *Index or Indices Created and Maintained by an Entity Unrelated to the Bear Stearns Entities.* The Index or Indices, if created by an entity that is unrelated to the Bear Stearns Entities, will consist of a standardized and generally-accepted Index or Indices, such as the Nikkei 225 Stock Average Index, the Standard & Poor's 500 Index, the PHLX Housing Sector Index, the Dow Jones-AIG Commodity Index or the HFRX Global Hedge Fund Index, and which may include, but not be limited to, Indices of, or evidencing interests in, equity securities, commodities, hedge funds or combinations thereof. In addition, the Index or Indices will be maintained by such unrelated entity. In other words, all calculations relating to the components in the Index or Indices, as well as the rate of return of the Index or Indices, will be made by an entity other than the Bear Stearns Entities, other than upon the occurrence of an extraordinary circumstance.

(b) *Index or Indices Created by a Bear Stearns Entity, but Maintained by an Unrelated Entity.* The Index or Indices, if created by a Bear Stearns Entity, will be maintained by an entity that is unrelated to the Bear Stearns Entities. In addition, any such Index will be either (i) a standardized and generally-accepted Index of securities or commodities or (ii) an Index comprised of publicly-traded instruments that are not issued by the Bear Stearns Entities, which securities or commodities are designated in advance and listed in the Prospectus for the Debt Securities. Under either circumstance, the Bear Stearns Entities will not be permitted to unilaterally make any modifications to the composition of any applicable Index, including the methodology comprising the rate of return, other than upon the occurrence of an extraordinary circumstance specified in the Prospectus for the Debt Securities.

In the case of any Index or Indices described in (a) or (b) above:

(1) Debt Securities subject to the final authorization with a return linked to an Index or Indices will have to be listed securities, and listed securities are subject to direct

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[8] This would not preclude any Bear Stearns Entity from serving as Calculation Agent in the manner described herein.

or indirect regulation by the SEC, pursuant to, among other rules, the 1934 Securities Act and the standards imposed by Rule 19b-4 thereunder. Under Rule 19b-4, a self-regulatory organization, such as a securities exchange, is required to adopt trading rules, procedures and listing standards for the product classes relating to any security that the exchange proposes to list. In addition, the self-regulatory organization must maintain a surveillance program for a class of securities. If the SEC has not approved the self-regulatory organization's rules, procedures and standards for the relevant product class, the self-regulatory organization must make a filing with the SEC prior to listing the security. According to Bear Stearns, this regulatory backdrop provides meaningful safeguards because any Index-linked Debt Securities offered by the Bear Stearns Entities under the final authorization will meet the listing and trading standards imposed by the self-regulatory organization and will be subject to the relevant trading rules and surveillance program;

(2) The Index Value of any applicable Index will be publicly-disseminated through an independent pricing service, such as Reuters or Bloomberg, or through a national securities exchange; and

(3) Each Index will be characterized by: (i) the application of objectively-determined investment criteria and formulas; (ii) wide public availability; (iii) ease of access to the daily closing price through electronic media; (iv) independence from the Bear Stearns Entities; (v) lack of susceptibility to manipulation by any Bear Stearns Entity; (vi) reputation as a well-known and commonly-utilized Index; and (vii) capability of the Index's rate of return to be duplicated and reproduced in a mechanical fashion by any entity or person unrelated to the Bear Stearns Entities utilizing the same data inputs.

10. Price quotations with respect to the Debt Securities will be available on a daily basis from market reporting services, such as Bloomberg or Reuters, and the daily financial press, such as the Wall Street Journal. In the event the Debt Securities are delisted from all nationally recognized securities exchanges on which they are traded, one of the Bear Stearns Entity's broker-dealer affiliates will apply for trading through the NASDAQ or other nationally recognized exchange or price quotation system, which requires that there be independent market-makers establishing a market for the securities in addition to such broker-dealer affiliate. In the event there are no independent market-makers, Bear Stearns represents that the relief covered by this Submission will no longer be considered effective with respect to purchases on or after that date.

11. The material terms of each Debt Security will be set forth with specificity in the Prospectus. Therefore, in addition to the description of the formula for computing the rate of return, the Prospectus will include the Department of Labor's authorization for the transaction and will also include, but will not be limited to, the following information:

- A statement to the effect that the Debt Security will be denominated in U.S. dollars;

- The fixed rate of return or the specified Index or Indices on which the rate of return on the Debt Security is based;

- A numerical example, designed to be understood by the average investor, which explains the calculation of the return on the Debt Security at maturity and reflects, among other things, (i) a hypothetical initial value and closing value of any applicable Index, and (ii) the effect of any adjustment factor on the percentage change in any applicable Index;

- The date on which the Debt Security will be issued;

- The date on which the Debt Security will mature and the conditions of such maturity;

- The initial date on which the value of the Index or Indices is calculated;

- Any adjustment factor or other numerical methodology that would affect the rate of return, if applicable;

- The ending date on which interest will be determined, calculated and paid;

- Information relating to the calculation of payments of principal and interest, including a representation to the effect that, at maturity, the beneficial owner of the Debt Security will be entitled to receive the entire principal amount, plus an amount derived directly from the growth in the Index or Indices (but in no event less than zero);

- All details regarding the methodology for measuring performance;

- The terms under which the Debt Security may be redeemed;

- The exchange or market where the Debt Security is traded or maintained; and

- Copies of the Notice to Interested Persons and Appendix relating to the final authorization provided herein, upon request.

Aside from the Prospectus, the Bear Stearns Entities do not contemplate making any ongoing communications to the Debt Securities investors except to the extent required under applicable securities laws.

12. Bear Stearns represents that the level of specificity and the descriptions of the terms of the Debt Securities are sufficient to ensure that, after the Debt Securities are issued and traded on an exchange, the Bear Stearns Entities cannot, with the exception of a Market Disruption Event or certain extraordinary circumstances, affect the rate of return. A Market Disruption Event typically is defined as any of the following events with certain exceptions[9]: (a) suspension, absence or material limitation of trading in Index components constituting 20% or more, by weight, of the applicable Index on their respective, primary markets, in each case for more than two hours of trading or during the one-half hour before the close of trading in that

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[9] For purposes of determining whether a Market Disruption Event has occurred, a limitation on the number of hours in a trading day and/or number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange.

market, as determined by the calculation agent in its sole discretion, (b) a suspension, absence or material limitation of trading in option or futures contracts relating to the applicable Index or to Index components constituting 20% or more, by weight, of the applicable Index, if available, in the primary markets for those contracts, in each case for more than two hours of trading or during the one-half hour before the close of trading in that market, as determined by the calculation agent in its sole discretion, or (c) Index components constituting 20% or more, by weight, of the applicable Index, or options or futures contracts relating to the applicable Index or to Index stocks constituting 20% or more, by weight, of the applicable Index, if available, do not trade on what were the respective primary markets for those Index components, as determined by the calculation agent in its sole discretion, and, in the case of any of these events, the calculation agent determines in its sole discretion that the event could materially interfere with the ability of the Bear Stearns Entities or a similarly situated party to unwind all or a material portion of a hedge that could be effected with respect to the Debt Securities.

Certain extraordinary circumstances that are not Market Disruption Events may affect the Calculation Agent's ability to calculate an Index. These include, but are not limited to, situations in which the person maintaining the Index changes or discontinues the Index and situations where one or more of the inputs into the Index no longer provides an accurate representation of what the Index measures. If a change to an Index is not material, the Calculation Agent will continue its calculations based on the changed Index. If, in more remote circumstances, the change is material, the Calculation Agent will use the original inputs into the Index in its calculations. In the most remote circumstance, where the original inputs are no longer available or no longer provide an accurate representation, the Calculation Agent will utilize its discretion to perform its calculations in a manner that it in good faith believes to reflect the original Index related to the Debt Securities.

Uncorrected manifest error by the Calculation Agent, as agent of the Issuer, or failure of the Calculation Agent to act in good faith in performing the calculations incident to the occurrence of either (i) a Market Disruption Event or (ii) an event described in the final sentence of the preceding paragraph would constitute an event of default under the indenture related to a series of the Applicant's Debt Securities (the "Indenture"). The Indenture defines an "event of default", in part, as (i) a default in the payment of any interest; (ii) a default in the payment of principal; (iii) default in the performance, or breach, of any covenant or warranty of the Applicant in the Indenture. If there is an event of default, the trustee under the Indenture (the "Trustee") or the holders of not less than 25% in principal amount of the notes may require the Trustee to declare the principal to be due and payable immediately, by a notice in writing to the Applicant.

Additionally, the Indenture states that, notwithstanding any other provision in the Indenture, the holder shall have the right, which is absolute and unconditional, to receive payment of principal (and premium, if any) and interest and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such holder. To the extent that manifest error or a bad-faith calculation results in any holder receiving less than the full amount of interest due, each holder will have the right to bring suit (notwithstanding the 25% requirement described in the preceding paragraph).

The Applicant represents that each Indenture governing an issuance of Debt Securities is "market standard" and does not differ in any significant respect from indentures governing issuances of similar debt securities by any of its competitors.

The offering materials for the Debt Securities shall also reflect all of the following information:

> "All determinations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will be conclusive for all purposes and binding on the Company and the beneficial owners of the Notes, absent manifest error and provided the Calculation Agent shall be required to act in good faith in making any determination. Manifest error by the Calculation Agent, or any failure by it to act in good faith, in making a determination adversely affecting the payment of principal, interest or premium on principal to Holders would entitle the Holders, or the Trustee acting on behalf of the Holders, to exercise rights and remedies available under the Indenture. If the Calculation Agent uses its discretion to make a determination, the Calculation Agent will notify the Company and the Trustee, who will provide notice to the registered holders of the Notes."

13. Bear Stearns represents that the principal amount of the Debt Securities that are the subject of this Submission will be protected regardless of the performance of any applicable Index. Although the return may go up or down in the same direction as the performance of the Index or Indices, the interest rate floor is set at zero. Thus, even where the value of the applicable Index or Indices decreases, there will be no invasion of principal if the Debt Securities are held until maturity.[10] However, if a Plan must sell the Debt Securities on the open market prior to their maturity, the market price will reflect the market's perception of the potential yield on such securities based on the current yield and interest rates for other debt securities of the

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[10] The following example illustrates this principle by describing the return at maturity on each $10 principal investment in the Debt Securities that are the subject of this proposed exemption:

- Where the value of the applicable Index increases by 50 percent, the Plan is entitled to receive $15 at maturity ($10 principal plus $5 interest) because the rate of return moves in the same direction as the growth in the applicable Index;
- Where the value of the applicable Index remains unchanged during the applicable period, the Plan is entitled to receive $10 at maturity ($10 principal plus $0 interest) because the rate of return moves in the same direction as the growth in the applicable Index; and
- Where the value of the applicable Index decreases by 50 percent, the Plan is entitled to receive $10 at maturity($10 principal and $0 interest) because the rate of return moves in the same direction as the growth in the applicable Index but in no event drops below zero.

While the foregoing examples are simplistic, it should be noted that for some of the Debt Securities, such as those tied to the Standard & Poor's 500 Index, the interest payments shown above may be reduced on a daily basis by an adjustment factor (the Adjustment Factor), equal to 1.3 percent per year. On the maturity date of the Debt Securities, the annual application of the Adjustment Factor will result in a total reduction of the Standard & Poor's 500 Index of 8.78 percent. In effect, this reduction will reduce the Plan investor's overall interest payments. This information will be disclosed prominently in the Prospectus.

same duration. This market price may result in a loss of principal value of the investment in the Debt Securities in the same fashion as would occur for other debt securities.

14. Bear Stearns represents that the Bear Stearns Entities will exercise no discretion with respect to any applicable Index. Further, Bear Stearns represents that the Bear Stearns Entities will not trade in any way intended to affect the value of the Debt Securities through holding or trading in the securities or commodities which comprise these Indices. The Bear Stearns Entities may purchase or sell positions in any applicable Index, or in all or certain of the assets by reference to which any applicable Index is calculated, or derivatives relating to any applicable Index. Bear Stearns does not believe, however, that the Bear Stearns Entities' hedging activity will have a material impact on the value of any applicable Index, assets by reference to which any applicable Index is calculated, or any derivative or synthetic instrument relating to any applicable Index. The issuer Bear Stearns Entity will maintain written records of all of its Debt Securities transactions for a period of six years.

15. Bear Stearns represents that the Debt Securities may be included among assets acquired by a Plan to comprise the underlying portfolio of a "synthetic" guaranteed investment contract (Synthetic GIC), whereby the Plan's beneficial interest in one or more debt instruments is combined with a guarantee of future value. In this regard, Bear Stearns represents that the Bear Stearns Entities will not be the issuer, guarantor, or "wrapper" provider in connection with a Synthetic GIC. Bear Stearns represents that the Bear Stearns Entities are not requesting any relief for extensions of credit to such Plans and the Plan Participants, other than extensions of credit resulting from such Plan's holding of the Debt Securities. Accordingly, Bear Stearns is not requesting specific exemptive relief with respect to any additional prohibited transactions that may relate to any Synthetic GICs.

16. In summary, Bear Stearns represents that the proposed transactions will satisfy the statutory criteria for authorization for certain transactions under PTCE 96-62 for the following reasons:

(a) The Debt Securities will be made available by the Bear Stearns Entities in the ordinary course of their business to customers which are not Plans.

(b) The Bear Stearns Entities will not have any discretionary authority or control, or provide any "investment advice," within the meaning of 29 C.F.R. 2510.3-21(c), in each case, with respect to the decision to invest the assets of Plans in the Debt Securities.

(c) The Plans will pay no fees or commissions to the Bear Stearns Entities in connection with the transactions covered by the requested authorization, other than the mark-up for a principal transaction permissible under PTCE 75–1.

(d) The decision to invest in the Debt Securities will be made either by a Plan Participant, or by an Independent Plan Fiduciary that is not an affiliate of the Bear Stearns Entities.

(e) In connection with a Plan's acquisition of any of the Debt Securities, the issuer Bear Stearns Entity will disclose to the Independent Plan Fiduciary, or, if applicable, the Plan Participant, in the Prospectus, all of the material terms and conditions concerning the Debt Securities.

(f) To the extent acquired from the Bear Stearns Entities, a Plan will acquire the Debt Securities on terms that are at least as favorable to the Plan as those that would be available to an unrelated non-Plan investor in a comparable arm's length transaction.

(g) The Debt Securities will be rated in one of the three highest generic rating categories by at least one nationally-recognized statistical rating service at the time of such security's acquisition by the Plan.

(h) The rate of return for the Debt Securities will be offered on a variety of terms and formulas under a fixed rate of return or an objectively determined variable rate based on an Index or Indices determined by the calculation agent, and the Bear Stearns Entities will retain no authority to affect the determination of such return, other than in connection with a Market Disruption Event that is described in the Prospectus for the Debt Securities or certain extraordinary circumstances described in the Prospectus. If the rate is determined by reference to an Index, the Index will be (1) created and maintained by an entity that is unrelated to the Bear Stearns Entities and is a standardized and generally-accepted Index of securities or commodities, which may include, but not be limited to, an index or indices of securities evidencing interests in hedge funds; or (2) created by a Bear Stearns Entity, but maintained by an entity that is unrelated to the Bear Stearns Entity, and (i) is either (A) a standardized and generally-accepted Index of securities or commodities, or (B) an Index comprised of publicly-traded securities or commodities that are not issued by the Bear Stearns Entities, which securities or commodities are designated in advance and listed in the Prospectus for the Debt Securities, (ii) will meet the requirements for an Index as set forth in Rule 19b-4, and (iii) will have an Index Value that is publicly-disseminated through an independent pricing service or a national securities exchange. If a Bear Stearns Entity acts as the calculation agent for determining the applicable rate of return, such calculation will be made using a formula fully disclosed in the prospectus or prospectus supplement relating to the Debt Security.