Capital Markets

Capital Markets net revenues for the second quarter of 2007 were $1.9 billion, down 10% from a record high of $2.1 billion for the quarter ended May 31, 2006.

- Institutional Equities net revenues were $543 million, a slight decline from $560 million for the second quarter of 2006. Record revenues in equity derivatives and risk arbitrage, as well as continued strong results from international sales and trading, drove second quarter 2007 performance. The 2006 second quarter included gains recognized from the initial public offering of NYSE Group, without these gains net revenues for the 2007 quarter would have increased significantly as compared with the prior year period.

- Fixed Income net revenues were $962 million for the 2007 second quarter, down 21% from record revenues of $1.2 billion recorded in the second quarter of 2006. The credit business produced strong results led by credit derivatives and the record net revenues in leveraged finance. Mortgage-related revenues reflected both industry-wide declines in residential mortgage origination and securitization volumes and challenging market conditions in the sub-prime and Alt-A mortgage sectors.

- Investment Banking net revenues were $357 million, up 28% from the $278 million in the 2006 second quarter. Underwriting net revenues increased, driven by active corporate and financial sponsor clients. Merger and acquisition advisory fees were strong, reflecting continued robust market conditions and the completion of a number of marquee transactions.

94. On July 17, 2007, defendant Cayne informed the investors of two hedge funds managed by Bear Stearns that there "is effectively no value left" in either fund. The collapse of these two funds—whose assets consisted of subprime mortgage-related assets including CDOs—represents over $1.5 billion in losses for investors. Bear Stearns' value declined approximately 20% in the wake of this disclosure.

95. On August 3, 2007, the Company's credit rating was cut to negative by S&P. This caused Bear Stearns' stock to drop more than $7.00 in one day to a price of $108.35 per share.

96. Bear Stearns responded to the S&P credit rating cut in a press release on August 3, 2007, stating in relevant part:

> The Bear Stearns Companies Inc. said today that it is disappointed with S&P's decision to change its outlook on Bear Stearns. Most of the themes highlighted in its report are common to the industry and are not likely to have a disproportional impact on Bear Stearns. S&P's specific concerns over issues relating to certain hedge funds managed by BSAM are unwarranted as these were isolated incidences and are by no means an indication of broader issues at Bear Stearns.
>
> "S&P's action highlights the concerns in the marketplace over the recent instability in the fixed income environment," said James E. Cayne, chairman and chief executive officer of The Bear Stearns Companies Inc. "Contrary to rumors in the marketplace, our franchise is profitable and healthy and our balance sheet is strong and liquid. Bear Stearns has thrived throughout both tumultuous and fortuitous markets for the past 84 years. We are experiencing another market cycle and we are confident in Bear Stearns' ability to succeed in this environment as it has in so many others."
>
> With respect to operating performance and financial condition, the company has been solidly profitable in the first two months of the quarter, while the balance sheet, capital base and liquidity profile have never been stronger. Bear Stearns' risk exposures to high profile sectors are moderate and well-controlled. The risk management infrastructure and processes remain conservative and consistent with past practices. This structure and strong risk management culture has allowed the firm to operate for all of its history as a public company without ever having an unprofitable quarter.
>
> All other major rating agencies have affirmed their stable or positive outlook on Bear Stearns within the last six weeks.

97. On this news, on August 5, 2007, the Individual Defendants caused or allowed Bear Stearns to announce that defendant Spector had resigned from his positions as President and Co-Chief Operating Officer, member of the Executive Committee and member of the Bear Stearns Board. In a press release titled "Bear Stearns Announces Management Changes," the Company reported:

> The Bear Stearns Companies Inc. announced today that, effective immediately, Alan D. Schwartz has been named the company's sole president, and Samuel L. Molinaro, Jr. will become chief operating officer in addition to his current duties as chief financial officer. Jeffrey Mayer, co-head of the Fixed Income Division, has been named to the Bear Stearns Executive Committee. Warren J. Spector has resigned his positions of president and co-chief operating officer, member of the Executive Committee and member of the Board of Directors of Bear Stearns.

Commenting on the management changes, James E. Cayne, chairman and chief executive officer of The Bear Stearns Companies Inc., said, "In light of the recent events concerning BSAM's High Grade and Enhanced Leverage funds, we have determined to make changes in our leadership structure. These promotions reflect and acknowledge the depth of talent in our senior management team. Alan and Sam have demonstrated outstanding judgment and leadership skills during their long tenures at Bear Stearns, have made tremendous contributions to building the firm, and are well prepared to assume greater responsibility. Since assuming co-leadership of our fixed income business in 2002, Jeff has helped build a highly successful global fixed income franchise. They all, along with many others, play critical roles in leading Bear Stearns. I have every confidence in this team to continue Bear Stearns' 84-year legacy of success and profitable growth. Finally, I particularly want to thank Warren Spector for his significant contributions to Bear Stearns."

Mr. Spector said, "I am leaving with nothing but the highest respect and regard for Bear Stearns and all the talented professionals with whom I have been privileged to work. Bear Stearns is a special firm that has weathered countless challenging markets in its history. For that reason, I intend to remain a significant shareholder and will follow the firm's future success with great pride."

Alan D. Schwartz joined Bear Stearns in 1976. He became executive vice president and head of the Investment Banking Division in 1985. Mr. Schwartz was named president and co-chief operating officer in June 2001.

Samuel L. Molinaro Jr., executive vice president and chief financial officer, joined the company in 1986. In 1996, Mr. Molinaro was promoted to the position of chief financial officer and in 2002 was named a member of the company's Executive Committee.

Jeff Mayer is a senior managing director and co-head of the firm's Global Fixed Income Division. Joining Bear Stearns in 1989, he became the head of the Mortgage Department seven years later and has been co-head of the Global Fixed Income Division with Craig Overlander since 2002.

98. On September 20, 2007, the Individual Defendants caused or allowed Bear Stearns to issue a press release announcing its third fiscal quarter 2007 earnings. The Company, seemingly no longer able to sustain its profitability due to its risks and exposure in the subprime market, reported disappointing earnings of $171.3 million, down 61% from the same quarter for 2006. According to the press release, "[m]arket conditions in both the mortgage and credit business were extremely challenging this quarter." Despite this, defendant Cayne continued to reassure investors of "'solid revenues in Investment Banking and record revenues in Global Equities and Global Clearing

Services,'" and stated that he was "'confident in the underlying strength of [the Company's] business and proud of the effort and determination displayed by [the Company's] employees during these challenging times.'" Additionally, at this time, the Company's Board of Directors increased the Company's share repurchase program to all employees to purchase up to $2.5 billion worth of common stock. The press release stated in part:

> The Bear Stearns Companies Inc. today reported earnings per share (diluted) of $1.16 for the third quarter ended August 31, 2007, down 62% from $3.02 per share for the third quarter of 2006. Net income for the third quarter of 2007 was $171.3 million, down 61% from $438 million for the third quarter of 2006. Net revenues were $1.3 billion for the third quarter, down 38% from $2.1 billion for the third quarter of 2006. The annualized return on common stockholders' equity for the third quarter of 2007 was 5.3%, and 13.7% for the 12-month period ended August 31, 2007. Third quarter results include approximately $200 million in losses and expenses related to the BSAM High-Grade hedge funds.
>
> "The third quarter was characterized by extremely difficult securitization markets and high volatility levels across asset classes. While our fixed income results clearly reflect these market conditions, we reported solid revenues in Investment Banking and record revenues in Global Equities and Global Clearing Services." said James E. Cayne, chairman and chief executive officer. "I am confident in the underlying strength of our business and proud of the effort and determination displayed by our employees during these challenging times."
>
> **Capital Markets**
>
> Net revenues for the Capital Markets segment were $1.0 billion for the quarter ended August 31, 2007, down 36% from $1.6 billion for the third quarter of 2006.
>
> - Institutional Equities net revenues were a record $719 million for the 2007 third quarter, a 53% increase from $471 million for the comparable prior-year quarter. This strong performance was driven by record results in structured equity products and robust international sales and trading net revenues.
>
> - Fixed Income net revenues were $118 million for the 2007 third quarter, down 88% from $945 million reported for the quarter ended August 31, 2006. Market conditions in both the mortgage and credit businesses were extremely challenging this quarter. A general re-pricing of risk in the market led to significant reductions in both mortgage and credit-related revenues as volumes decreased while asset values declined.

- Investment Banking net revenues were $211 million for the quarter ended August 31, 2007 down 9% from $232 million for the year-ago third quarter. Merger and acquisition advisory fees increased as a number of announced transactions were completed during the quarter. Total underwriting net revenues were flat as increased equity underwriting revenues were offset by lower fixed income underwriting revenues. Merchant Banking revenues decreased during the quarter due to changes in mark-to-market values of several portfolio companies.

Global Clearing Services

Net revenues for Global Clearing Services were a record $332 million for the quarter ended August 31, 2007, up 30% from $255 million for the third quarter of 2006. Higher average customer margin debt and average customer short balances resulted in increased net interest revenues. Average customer margin debt balances were $102.2 billion during the quarter ended August 31, 2007, up 49% from $68.8 billion in the comparable quarter of fiscal 2006. Customer short balances averaged $102.2 billion for the third quarter of 2007, compared with $82.1 billion for the third quarter of 2006.

Wealth Management

Wealth Management net revenues for the quarter ended August 31, 2007 were a negative $38 million compared with $233 million for the quarter ended August 31, 2006.

- Private Client Services net revenues were $148 million in the third quarter of 2007, up 15% from $128 million in the prior-year quarter. Increased client activity levels driven by market volatility and the continued growth in fee-based assets drove the increase in net revenues for the 2007 third quarter.

- Asset Management net revenues were a negative $186 million for the third quarter of 2007compared with $105 million in the prior-year quarter. Included in the quarter's results is a loss of approximately $200 million relating to the BSAM High-Grade hedge funds. The negative impact included the reversal of accrued performance fees, the write down of hedge fund investments and receivables, and lower management fees related to proprietary hedge fund products. Assets under management increased 15% to $57.8 billion at quarter end, up from $50.2 billion at August 31, 2006.

Expenses

- Compensation as a percentage of net revenues was 49.9% for the third quarter of 2007, versus 48.1% in the quarter ended August 31, 2006. Compensation as a percentage of net revenues for the nine months ended August 31, 2007 was 49.0% versus 48.3% for the nine months ended August 31, 2006.

- Non-compensation expenses were $492 million for the quarter ended August 31, 2007, an increase of 13% from $437 million for the comparable prior-year period. The increase is primarily related to occupancy fees, higher communications and technology costs associated with additional headcount as well as higher professional fees.

The third quarter 2007 pre-tax profit margin was 13.1%, compared with 31.3% for the third quarter of 2006.

As of August 31, 2007, total capital, including stockholders' equity and long-term borrowings, was $78.2 billion. Book value as of August 31, 2007 was $91.82 per share, based on 144.6 million shares outstanding, primarily reflecting open-market stock repurchases during the quarter.

Share Repurchase Authorization

The Board of Directors approved an amendment to the company's share repurchase program authorizing the purchase of up to $2.5 billion in aggregate cost of common stock. This amendment supercedes the previous $2.0 billion authorization, under which the company had acquired approximately $1.3 billion of common stock. The share repurchase program will be used both to acquire shares of common stock for the company's employee stock award plans and for up to $1.0 billion in corporate share repurchases. Purchases may be made in the open market or through privately negotiated transactions in 2007 or beyond.

Quarterly Common Stock Cash Dividend Declared

The Board of Directors of The Bear Stearns Companies Inc. declared a regular quarterly cash dividend of 32 cents per share on the outstanding shares of common stock payable October 26, 2007 to stockholders of record on October 16, 2007.

Quarterly Preferred Stock Cash Dividend Declared

The Board of Directors of The Bear Stearns Companies Inc. declared the following regular quarterly dividends: (i) a cash dividend of $3.075 per share on the outstanding shares of 6.15% Cumulative Preferred Stock, Series E (which is equivalent to 76.875 cents per related depositary share); (ii) a cash dividend of $2.86 per share on the outstanding shares of 5.72% Cumulative Preferred Stock, Series F (which is equivalent to 71.50 cents per related depositary share); and (iii) a cash dividend of $2.745 per share on the outstanding shares of 5.49% Cumulative Preferred Stock, Series G (which is equivalent to 68.625 cents per related depositary share); all payable October

15, 2007 to stockholders of record on September 28, 2007.

BEAR STEARNS' SUBPRIME DISCLOSURES AND THEIR AFTERMATH

99. On November 14, 2007, Bear Stearns disclosed in a Form 8-K filing that it expected to write-down its mortgage inventory, including its CDO warehouse portfolio, by approximately $1.2 billion. In particular, Bear Stearns' Form 8-K disclosed the following:

> On November 14, 2007, Samuel L. Molinaro, Jr., Executive Vice President, Chief Financial Officer and Chief Operating Officer of The Bear Stearns Companies Inc. (the "Company"), made a presentation at the Merrill Lynch Banking and Financial Services Investor Conference. Mr. Molinaro's participation in the conference was previously announced and the conference was available to the public via webcast. During the presentation, Mr. Molinaro provided an update on the Company's collateralized debt obligations (or "CDO's") and subprime related exposures. A slide used by Mr. Molinaro for this portion of the presentation is filed herewith as Exhibit 99.1 and incorporated herein by reference.
>
> As of August 31, 2007, the Company had total ABS CDO related exposures of approximately $2 billion, which consisted of $963 million of AAA super senior, $165 million below AAA and $944 million of CDO Warehouse. These positions have been materially reduced through November 9, 2007. The CDO Warehouse exposure as of August 31, 2007 has essentially been liquidated or converted into CDO's. The Company's overall CDO position as of November 9, 2007 was $884 million, down from approximately $2 billion as of August 31, 2007. During the period between August 31, 2007 and November 9, 2007, the Company significantly increased its short subprime exposures reducing the August 31, 2007 net exposure of approximately $1 billion to a negative $52 million net exposure as of November 9, 2007.
>
> As a result of the extremely challenging environment, the Company has gone through an exhaustive process of revaluing the mortgage and CDO portfolios. As a result, the Company will be taking a net write-down of approximately $1.2 billion on these positions and others in our mortgage inventory. Net of tax, this write down is approximately $700 million. The vast majority of these losses are attributable to write downs on the CDO and CDO warehouse portfolio. Consequently, the Company anticipates having a loss for the 4th quarter of 2007. The Company has no off-balance-sheet exposures to CDO or subprime collateral held by conduits or other entities including Structured Investment Vehicles (SIVs).

100. Then, on December 20, 2007, Bear Stearns made further disclosures of its exposure to the subprime mortgage crisis. Specifically, Bear Stearns disclosed a net loss of $854 million—the

Company's ***first loss in over 84 years***. This loss stemmed from a $1.9 billion dollar write-down—substantially larger than it's previously announced $1.2 billion write-down—of its mortgage related assets, including CDOs. Bear Stearns' fiscal fourth quarter and full year 2007 earnings press release provided as follows:

> The Bear Stearns Companies Inc. reported results today for the fiscal year and the fourth quarter ended November 30, 2007. For the fiscal year the company reported $1.52 earnings per share (diluted), compared with $14.27 for fiscal 2006. Net income for the fiscal year was $233 million compared with $2.1 billion earned in fiscal year ended November 30, 2006. Net revenues for the 2007 fiscal year were $5.9 billion, compared with $9.2 billion in the prior fiscal year. The after-tax return on common stockholders' equity was 1.8% for fiscal 2007.
>
> In early November the company announced that it anticipated write-downs of approximately $1.2 billion in mortgage inventory net of hedges. At November 30, total net inventory write-downs were $1.9 billion. These write-downs served to reduce fourth quarter earnings per share (diluted) by $8.21. Including these write-downs the company reported a loss for the fourth quarter ended November 30, 2007 of $6.90 per share1. For the comparable fourth quarter of 2006, the company reported earnings per share (diluted) of $4.00. The net loss for the fourth quarter of 2007 was $854 million as compared with net income of $563 million for the fourth quarter of 2006. Net revenues for the 2007 fourth quarter were a loss of $379 million down from revenues of $2.4 billion for the 2006 fourth quarter.
>
> "We are obviously upset with our 2007 results, particularly in light of the fact that weakness in fixed income more than offset strong and, in some areas, record-setting performance in other businesses," said James E. Cayne, chairman and chief executive officer. "Our underlying fixed income franchise remains strong and we have taken steps to size the division to market conditions. We are taking appropriate measures to position Bear Stearns for renewed profitability in 2008 by focusing our resources on the businesses with growth potential in the current environment, while streamlining our operations in areas with lower expected activity levels. We are confident that these efforts will ensure Bear Stearns remains a strong and profitable competitor in the global marketplace in the years to come."
>
> "When Bear Stearns became a public company, consistent with our entrepreneurial roots and to ensure alignment of interests between management and shareholders, we designed our executive compensation programs to pay for performance. In a year in which we produced unacceptable results, the plans are working as they were designed -- and the members of the executive committee will not receive any bonuses for 2007."

* * *

CAPITAL MARKETS

Fourth Quarter

Net revenues in Capital Markets, which includes Institutional Equities, Fixed Income and Investment Banking, were a loss of $956 million in the fourth quarter of 2007, down from net revenues of $1.9 billion in the fourth quarter ended November 30, 2006.

- Institutional Equities net revenues were $384 million, down 11% from $430 million in the fourth quarter of 2006. Record results from international equity sales and trading and continued strong results from domestic equity sales drove this quarterly performance partially offset by reduced performance in structured equity products.

- Fixed Income net revenues were a loss of $1.5 billion, down from net revenues of $1.1 billion in the fourth quarter of 2006. The continued re-pricing of credit risk and the severe dislocation in the structured products market led to illiquidity in the fixed income markets, lower levels of client activity across the fixed income sector and a significant revaluation of mortgage inventory. Total write-downs were $1.9 billion in the quarter net of hedges.

- Investment Banking net revenues were $205 million in the fourth quarter of 2007, down 44% from the $364 million in the comparable prior-year period. This decrease reflects lower fees from fixed income underwriting which were partially offset by continued strong merger and acquisition activity levels.

Full Year

Capital Markets net revenues were $3.9 billion in fiscal year 2007, a decrease of 46% from the $7.3 billion reported in 2006.

- Institutional Equities net revenues in the 2007 fiscal year were up 10% to a record $2.2 billion from $2.0 billion in fiscal 2006. International sales and trading, risk arbitrage and principal strategies all delivered record results.

- Fixed Income net revenues were $685 million in 2007, down from $4.2 billion in 2006. Results for 2007 were heavily influenced by the severe market conditions across the fixed income sector. More broadly, the re-pricing of credit also led to significantly lower net revenue levels due to illiquidity in the markets as trading activity levels deteriorated across the spectrum of fixed income products.

- Investment Banking reported net revenues of $1.1 billion in fiscal 2007, down 8% from $1.2 billion in the prior fiscal year. Increases in equity

underwriting and higher transaction volumes in advisory areas were more than offset by lower fixed income underwriting net revenues and merchant banking results.

101. Also on December 20, 2007, FIC LP ("FIC"), a San Francisco partnership that had invested in the two hedge funds that had collapsed during July 2007, sued Bear Stearns over the Company's management of the funds. This suit followed in the footsteps of a similar suit that Barclays Bank PLC had filed against the Company on the day before. FIC is seeking class action status on behalf of other investors in the two funds. Moreover, the SEC and the U.S Attorney's office in Brooklyn are currently conducting criminal and civil investigations of the funds' collapse.

102. On January 8, 2008, defendant Cayne resigned his position as CEO of the Company.

103. On or about January 9, 2008, Bear Stearns announced that it was closing a third hedge fund that had invested in mortgage backed securities. The collapse of this fund represents hundreds of millions worth of additional losses to investors and could potentially trigger further lawsuits and investigations.

104. During the fourth quarter, Bear Stearns cut 1,400 jobs or approximately 9% of its workforce. The Company incurred $100 million in severance costs in connection with the layoffs.

105. In the wake of these devastating disclosures, during the Relevant Period, Bear Stearns' value declined from over $170 per share to less than $80 per share—a $10.3 billion market capitalization loss.

106. Bear Stearns' Relevant Period statements failed to disclose and misrepresented the following material adverse facts, which the Individual Defendants knew, consciously disregarded, were reckless and grossly negligent in not knowing or should have known:

1. Bear Stearns' was more exposed to the subprime market crisis than it had disclosed;

2. Bear Stearns' portfolio of billions in subprime mortgage related assets and CDOs would eventually be written-down by billions of dollars; and

3. As a result of the foregoing, Bear Stearns reported earnings and business prospects were inaccurate.

THE PROPOSED ACQUISITION

107. Unfortunately for Bear Stearns, this was not even close to the end of their troubles. In the months following Bear Stearns' initial disclosure of the collapse of two of its hedge funds, Bear Stearns continued its downward spiral with the Company's share price declining from almost $145 per share in early July 2007, to approximately $60 per share approximately one month ago. Bear Stearns common stock now trades at approximately $10 per share due to the announcement on March 16, 2008, that Bear Stearns would be bought out by JPMorgan in a stock-for-stock transaction totaling approximately $236 million, or $2 per share. This was a result of the Individual Defendants' failure to appropriately account for the subprime mortgage crisis that the Individual Defendants had exposed the Company to, as described above, and its propensity to overextend credit to those who would likely not be able to repay Bear Stearns.

108. On March 10, 2008, information was leaked into the market concerning Bear Stearns' liquidity problems, which caused the stock to drop to $62.30 per share. *MarketWatch* reported on Bear Stearns' potential liquidity issues, stating in relevant part:

> Alan "Ace" Greenberg, chairman of the New York-based company's executive committee, denied any liquidity problems, according to CNBC.
>
> Meanwhile, Moody's Investors Service downgraded 163 bits of securities issued by Bear that are backed by so-called Alt-A mortgages. The cuts came as delinquencies and foreclosures climbed higher than expected, the ratings agency said.
>
> Shares of Bear Stearns dropped as much as 14% in setting a 52-week low at $60.26 earlier in the session. They stood at $64.39 during afternoon trading, down about 8%.
>
> Liquidity is the ability to borrow new money or raise it some other way to meet upcoming obligations and spending requirements. It also refers to the ability of brokerage firms and other market players to quickly sell assets without those holdings losing value.
>
> The mortgage crisis has sparked a broader credit crunch in which hedge funds, brokerage firms and others are being forced to cut borrowing, also known as de-leveraging. That's triggering forced selling, which makes the situation even worse, limiting liquidity.

Investment banks like Bear Stearns are at the center of this phenomenon.

"The company's shares are down again today, this time because of concerns about liquidity [banks are insisting on higher-margin levels]," said Egan-Jones Ratings.

"A core issue is whether Bear Stearns will be able raise capital and deal with the increased funding costs," the ratings agency, paid by investors rather than issuers, wrote in a Monday note to clients.

A gauge of a company's borrowing costs can be gleaned from the market in credit-default swaps, or CDS. These derivatives pay out in the event of default, and so they appreciate in value when the perceived creditworthiness of a borrower declines.

CDS on Bear Stearns traded at 610 basis points over Treasurys on Monday. A basis point is one hundredth of a percentage point.

109. Despite the recent issues surrounding liquidity at Bear Stearns, the Company reported it was still strong and was maintaining a large liquidity cushion. In fact, defendant Schwartz even announced days before the merger announcement that Bear Stearns was maintaining a book value of $84 per share. This all seemed like good news for Bear Stearns. Unfortunately, the subprime mess Bear Stearns had entwined itself in had caused investors, clients and counterparties to lose confidence in Bear Stearns at alarming rates and Bear Stearns stock price continued to plummet.

110. On March 14, 2008, two days before the Acquisition and despite Bear Stearns announcement that it maintained a strong liquidity cushion, Bear Stearns announced that JPMorgan would provide a secured loan facility in order for Bear Stearns to access liquidity as needed. Bear Stearns noted that its' "liquidity position in the last 24 hours had significantly deteriorated." These loans, which were to provide an unspecified amount of funding and were to be insured by the Federal Reserve, did nothing to increase confidence in Bear Stearns and, instead, only served to prompt chatter and speculation in the market that Bear Stearns, one of the largest and strongest investment banks, was collapsing and would either be facing bankruptcy or be up for sale, likely to JPMorgan itself. Following this announcement, Bear Stearns stock plummeted from an already low $57 per share on March 13, 2008 to $30 per share on March 14, 2008.

111. On March 16, 2008, Bear Stearns announced the Board had unanimously approved a stock-for-stock exchange with JPMorgan to sell Bear Stearns for approximately $236 million, or $2 per share. The press release stated as follows:

> JPMorgan Chase & Co. announced it is acquiring The Bear Stearns Companies Inc. The Boards of Directors of both companies have unanimously approved the transaction.
>
> The transaction will be a stock-for-stock exchange. JPMorgan Chase will exchange 0.05473 shares of JPMorgan Chase common stock per one share of Bear Stearns stock. Based on the closing price of March 15, 2008, the transaction would have a value of approximately $2 per share.
>
> Effective immediately, JPMorgan Chase is guaranteeing the trading obligations of Bear Stearns and its subsidiaries and is providing management oversight for its operations. Other than shareholder approval, the closing is not subject to any material conditions. The transaction is expected to have an expedited close by the end of the calendar second quarter 2008. The Federal Reserve, the Office of the Comptroller of the Currency (OCC) and other federal agencies have given all necessary approvals.
>
> In addition to the financing the Federal Reserve ordinarily provides through its Discount Window, the Fed will provide special financing in connection with this transaction. The Fed has agreed to fund up to $30 billion of Bear Stearns' less liquid assets.
>
> "JPMorgan Chase stands behind Bear Stearns," said Jamie Dimon, Chairman and Chief Executive Officer of JPMorgan Chase. "Bear Stearns' clients and counterparties should feel secure that JPMorgan is guaranteeing Bear Stearns' counterparty risk. We welcome their clients, counterparties and employees to our firm, and we are glad to be their partner."
>
> Dimon added, "This transaction will provide good long-term value for JPMorgan Chase shareholders. This acquisition meets our key criteria: we are taking reasonable risk, we have built in an appropriate margin for error, it strengthens our business, and we have a clear ability to execute."
>
> "The past week has been an incredibly difficult time for Bear Stearns. This transaction represents the best outcome for all of our constituencies based upon the current circumstances," said Alan Schwartz, President and Chief Executive officer of Bear Stearns. "I am incredibly proud of our employees and believe they will continue to add tremendous value to the new enterprise."

The transaction is expected to be ultimately accretive to JPMorgan Chase's annual earnings.

"This transaction helps us fill out some of the gaps in our franchise with manageable overlap," said Steve Black, co-CEO of JPMorgan Investment Bank. "We know the Bear Stearns leadership team well and look forward to working with them to bring our two companies together."

"Acquiring Bear Stearns enables us to obtain an attractive set of businesses," said Bill Winters, co-CEO of JPMorgan Investment Bank. "After conducting due diligence, we're comfortable with the quality of Bear Stearns' business, and are pleased to have them as part of our firm."

"JPMorgan Chase's management team has a strong track record of effective merger integration," said Heidi Miller, CEO of JPMorgan Treasury & Securities Services business. "We will work closely in the coming weeks with Bear Stearns' clients and management to execute the transaction quickly."

112. Also March 17, 2008, *The Wall Street Journal* reported on the sale, in "J.P. Morgan Buys Bear in Fire Sale, As Fed Widens Credit to Avert Crisis," stating in relevant part:

Pushed to the brink of collapse by the mortgage crisis, Bear Stearns Cos. agreed -- after prodding by the federal government -- to be sold to J.P. Morgan Chase & Co. for the fire-sale price of $2 a share in stock, or about $236 million.

Bear Stearns had a stock-market value of about $3.5 billion as of Friday -- and was worth $20 billion in January 2007. But the crisis of confidence that swept the firm and fueled a customer exodus in recent days left Bear Stearns with a horrible choice: sell the firm -- at any price -- to a big bank willing to assume its trading obligations or file for bankruptcy.

"At the end of the day, what Bear Stearns was looking at was either taking $2 a share or going bust," said one person involved in the negotiations. "Those were the only options."

To help facilitate the deal, the Federal Reserve is taking the extraordinary step of providing as much as $30 billion in financing for Bear Stearns's less-liquid assets, such as mortgage securities that the firm has been unable to sell, in what is believed to be the largest Fed advance on record to a single company. Fed officials wouldn't describe the exact financing terms or assets involved. But if those assets decline in value, the Fed would bear any loss, not J.P. Morgan.

* * *

The deal already is prompting howls of protest from Bear Stearns shareholders, since the New York company last week indicated that its book value

> was still close to its reported level of about $84 share at the end of the fiscal year. "Why is this better for shareholders of Bear Stearns than a Chapter 11 filing?" one Bear shareholder asked J.P. Morgan executives in a conference call last night.
>
> * * *
>
> James Cayne, Bear Stearns's chairman, who had been participating in a bridge tournament when the crisis unfolded, returned to New York on Saturday and participated in the negotiations, said one person familiar with the discussions.
>
> "We're very comfortable with what we found [in due diligence] and what we acquired, but we needed a pretty substantial cushion" from the Fed, Bill Winters, co-head of J.P. Morgan's investment bank, said in a conference call last night.
>
> The deal is expected to close by the end of June, an unusually quick time frame. Federal regulators already have signed off on the deal, which will require a vote of Bear Stearns shareholders.

113. Following the Merger announcement and the report by *The Wall Street Journal*, Bear Stearns stock plummeted 85% on March 17, 2008 from $30 per share to an unprecedented low of $4.81 per share. The market was dumbfounded with the absurdly low and embarrassing sale price, especially considering Bear Stearns' announcement just days before the Acquisition was announced that the Company's book value was $84 per share, or 97.6% greater than the sale price of $2 per share. Moreover, at the time the transaction was announced, Bear Stearns' stock was trading at $30 per share, far above the Acquisition price. After the Acquisition was announced, Bear Stearns stock plunged far below its pre-Acquisition announcement price of $30 per share; however, it ***never*** reached a low of $2 per share. These facts are both indications that Bear Stearns' shareholders believed the Company was worth more than the Acquisition price.

114. The Acquisition announcement came after just one and a half days of due diligence by JPMorgan and an agreement by the Federal Reserve to fund $30 billion of Bear Stearns' less liquid assets on non-recourse terms (later revised to $29 billion) and drastically reducing JPMorgan's risk in agreeing to this Acquisition. This agreement by the Federal Reserve cuts sharply in favor of JPMorgan, who is able to transfer the risks associated with these assets to the average taxpayer who is already facing a strained economy rather than assume the risk themselves.

115. In addition to JPMorgan's reduced risk, thanks to the Federal Reserve, JPMorgan will reap huge benefits from the Acquisition that further indicate defendants did not maximize shareholder value in this Acquisition. As part of the agreement, JPMorgan will acquire Bear Stearns' headquarters, a building in the heart of New York City that has been valued between approximately $1 billion and 1.5 billion alone.

116. In addition, JPMorgan is slated to acquire divisions of Bear Stearns that are still profitable and strong, including it's prime brokerage business and global clearing business, businesses which should increase the per share price to Bear Stearns shareholders, not allow JPMorgan to benefit without benefit to the Bear Stearns' shareholders.

117. Put simply, the Individual Defendants are giving JPMorgan a phenomenal deal at the detriment to the Company's shareholders. JPMorgan will receive all the benefits of owning what was one of the largest and strongest investment banking companies for next to nothing, and with $29 billion of risk assumed by the Federal Reserve while Bear Stearns' shareholders are receiving $10 per share of a company that had a book value of $84 per share just days before.

118. Further, on March 16, 2008, defendants approved an amendment to the By-laws of Bear Stearns that provides the payment of any indemnification for the defendants for expenses, including attorneys' fees, shall be paid or reimbursed promptly upon demand by the defendants.

119. Bear Stearns had falsely reported to the investing public the stability and strength of the Company, which had caused Bear Stearns' stock to trade at artificially inflated prices. The real story, however, was that Bear Stearns: (i) failed to fully disclose the risks associated with its underlying investments; (ii) failed to inform investors and shareholders that the Company's hedge funds were rapidly deteriorating due to the subprime mortgage market meltdown with no plan as to how to rescue the funds; and (iii) that, in order to escape personal liability for their actions, the Individual Defendants fraudulently negotiated the Acquisition of Bear Stearns to JPMorgan.

DEFENDANTS AGREE TO A STOCK EXCHANGE AGREEMENT THAT
THREATENS TO MAKE THE SHAREHOLDER VOTE A MERE FORMALITY

120. On March 24, 2008, faced with scrutiny and a pending backlash from Bear Stearns' shareholders, defendants acted to guarantee the closure of the Merger. First, JPMorgan agreed to increase its offer to approximately $10 per share, which still compares poorly to the $70 per share at which Bear Stearns was trading at only two weeks before. But the price to be paid for that increased consideration is a heavy one. In exchange, Bear Stearns and the Individual Defendants agreed to a Stock Exchange Agreement that allows JPMorgan to exchange 20.6 million of its shares for 95 million newly issued Bear Stearns' shares. This agreement will give JPMorgan voting control over 39.5% of the Company's outstanding shares. The Individual Defendants also agreed to vote their approximately 7.5 million Bear Stearns shares in favor of the Merger.

121. Under NYSE rules, generally, companies traded on the exchange must first solicit shareholder approval before issuing new shares. Defendants, however, seek to avoid shareholder approval by relying upon NYSE Listed Company Manual Paragraph 312.05, which states:

> Exceptions may be made to the shareholder approval policy in Para. 312.03 upon application to the Exchange when (1) the delay in securing stockholder approval ***would seriously jeopardize the financial viability of the enterprise*** and (2) reliance by the company on this exception is ***expressly approved by the Audit Committee*** of the Board.

122. Defendants Tese, Bienen, Glickman, Goldstein, Novelly, Salerno and Williams as members of the Audit Committee, lent their express approval to the Stock Exchange Agreement.

123. Defendants' invocation of the Paragraph 312.05 exception is self-motivated and unfounded. Importantly, there is no evidence that a delay caused by seeking shareholder approval of the Stock Exchange Agreement would jeopardize Bear Stearns' financial viability. Since before the Merger was announced, the Federal Reserve has stepped in with emergency funding and has guaranteed billions worth of Bear Stearns' assets. There is no evidence that the Federal Reserve would withdraw its funding and guarantees in the event that Bear Stearns abandoned the Merger in

exchange for a superior offer from an alternative bidder. The only thing at jeopardy is JPMorgan's position to acquire Bear Stearns for a grossly inadequate consideration.

124. The Stock Exchange Agreement will have severe effects on Plaintiffs and the Class' shareholder rights. The Stock Exchange Agreement's execution, along with its open market purchase of Bear Stearns' stock, provides JPMorgan, as of April 8, 2008, with approximately 47.41% of the Company's outstanding shares, guaranteeing that only a near-unanimous shareholder opposition or judicial intervention will prevent the Merger from closing. Moreover, defendants' disregard of NYSE rules may result in the de-listment of Bear Stearns.

THE GUARANTEE AND COLLATERAL AGREEMENT FURTHER ENTWINES BEAR STEARNS AND JPMORGAN

125. Also on March 24, 2008, JPMorgan sought to further protect itself from a termination of the proposed Merger and entered into the Collateral Agreement with Bear Stearns and certain of its subsidiaries. As stated in JPMorgan's Form 8-K filed with the SEC on March 28, 2008, pursuant the Collateral Agreement, Bear Stearns and its subsidiaries agreed to guarantee their obligations to repay JPMorgan "(1) any loans or other advances of credit by JPMorgan ... and (2) any amounts paid by JPMorgan Chase to creditors of Bear Stearns and its affiliates under the [Amended and Restated Guaranty Agreement] and the JPMorgan Chase guarantee, entered into on March 23, 2008, in favor of the Federal Reserve Bank of New York." Bear Stearns' guarantee in the Collateral Agreement is secured "by granting a lien on substantially all of [Bear Stearns and its subsidiaries'] respective assets." In guaranteeing the Collateral Agreement with this lien, Bear Stearns is effectively giving JPMorgan control over and ownership of almost all of Bear Stearns' assets whether the proposed Merger is approved by Bear Stearns' shareholders or not.

INCREASED GOVERNMENT SCRUTINY OF THE PROPOSED MERGER

126. In response to the heavy involvement of the Federal Reserve in the proposed Merger and the government's responsibility to taxpayers, the Senate Committee on Finance is now also inquiring into the terms of the Acquisition. On March 26, 2008, the Senate Committee on Finance

sent a letter to the CEOs of both Bear Stearns and JPMorgan, as well as to the Federal Reserve Chairman Ben Bernanke, Treasury Secretary Henry Paulson, and Federal Reserve Bank CEO Timothy Geithner requesting the details of the proposed merger, how and by whom it was negotiated, and all parties involved in the proposed Merger. Senate Finance Committee Chairman Max Baucus stated in news release issued on March 26, 2008 by the Senate Committee on Finance, "Americans are being asked to back a brand-new kind of transaction, to the tune of tens of billions of dollars ... and we have a responsibility to all taxpayers to review the details of this deal." Testimony from defendant Schwartz and JPMorgan Chairman and Chief Executive Officer James Dimon was taken by the Senate Committee on Banking, Housing and Urban Affairs on April 3, 2008.

DEFENDANTS FAILED TO MAXIMIZE SHAREHOLDER VALUE

127. The Individual Defendants acted fast to push this coercive deal through. Despite the enormity of the implications of this deal and the complexity of the apparent liquidity issues that the Company faced, the Merger announcement came after just one and a half days of due diligence by JPMorgan. JPMorgan's task was made easier due to an agreement by the Federal Reserve to fund $29 billion of Bear Stearns' less liquid assets on non-recourse terms, drastically reducing JPMorgan's risk in agreeing to this Merger. This agreement by the Federal Reserve cuts sharply in favor of JPMorgan, who is able to transfer the risks associated with these assets to the taxpayers. But the Federal Reserve had no special or unique interest in favoring JPMorgan over other American suitors. Due to the failure of the Individual Defendants to satisfy their fiduciary obligations to Bear Stearns, rather than shop Bear Stearns with the backing of the Federal Reserve's portable guarantees, the Individual Defendants sold the Company short and bound the Company to the coercive Merger's deal terms that foreclosed Bear Stearns from soliciting other bidders.

128. The Individual Defendants used an arsenal of restrictive and coercive deal terms to tie the Company's hands and bar it from getting a better deal. In fact, Bear Stearns cannot even look for a better deal or get out of JPMorgan's $10 deal for an entire year, even if the Board withdraws its recommendation of the deal. Under the "No Solicitation" clause of §6.9 of the Agreement and Plan

of Merger by and between Bear Stearns and JPMorgan (the "Merger Agreement") the Company is barred from soliciting alternative transactions.

129. Other restrictive terms address stockholder approval of the deal and the one year closed loop that the Company is trapped in if the deal is rejected. First, under a "force-the-vote" style clause embodied in §6.3 of the Merger Agreement, the "Company shall submit this Agreement to its stockholders at the stockholder meeting even if its Board of Directors shall have withdrawn, modified or qualified its recommendation." Pursuant to §6.10 of the Merger Agreement, if shareholders reject the Merger, the Company is bound to "negotiate a restructuring of the transaction" as long as the deal has not been terminated and "neither party shall have any obligation to alter or change the amount or kind of the Merger Consideration." Therefore, JPMorgan can lock up the Company for a year until the deal self-terminates.

130. The Individual Defendants also gave the keys to JPMorgan during this year lock-up period and tried to deal away the fiduciary obligations they owe to Bear Stearns to JPMorgan. Under §5.1 of the Merger Agreement, even though the Individual Defendants as fiduciaries are obliged to manage and operate Bear Stearns and to get the best deal possible for stockholders on a change of control, the Individual Defendants nonetheless agreed that, until the deal is effective, JPMorgan "shall be entitled to direct the business, operations and management of the Company and its subsidiaries in its reasonable discretion."

131. In addition to JPMorgan's reduced risk, thanks to the Federal Reserve, JPMorgan will reap huge benefits from this Merger. First, the Individual Defendants ensured that JPMorgan would get at least 20% of the Company, by granting JPMorgan a separate option to purchase that block of stock at $10 per share. The Individual Defendants further tied Bear Stearns' hands by granting JPMorgan a lock-up to the very headquarters where Bear Stearns operates its business in New York. Under §6.11 of the Merger Agreement, JPMorgan will have the option to acquire Bear Stearns' headquarters, a building in the heart of New York City as a result of the Merger Agreement.

132. In retrospect, these draconian terms may be unnecessary given the Stock Exchange Agreement recently approved by the Individual Defendants. This agreement, along with its open market purchase of Bear Stearns' stock, stands to put over 47% of Bear Stearns' outstanding shares under JPMorgan's control, which all but assures the closing of the Merger. As alleged above, Bear Stearns' shareholders will have no opportunity to vote against the Stock Exchange Agreement even though it involves the issuance of over 95 million unregistered shares.

133. JPMorgan is slated to acquire divisions of Bear Stearns that are still profitable and strong, including its prime brokerage business and global clearing business. JPMorgan should not be allowed to acquire these divisions before paying a reasonable consideration to Bear Stearns' shareholders.

134. Put simply, the Individual Defendants are granting JPMorgan a bulletproof deal at the expense of Bear Stearns' shareholders. Under the Merger Agreement, JPMorgan immediately receives all of the benefits of owning one of the largest and most prestigious investment banking operations on Wall Street at a substantial discount. The Individual Defendants' extraordinary giveaway of Bear Stearns to JPMorgan has not been lost on Wall Street. JPMorgan's market capitalization has increased by tens of billions of dollars since this deal was first announced.

135. As a result of defendants' conduct to merge the Company with JPMorgan at such a low consideration, Bear Stearns' public stockholders have been and will continue to be denied the fair process and arm's-length negotiated terms to which they are entitled in a sale of their Company. In order to meet their fiduciary duties, the Individual Defendants are and were obligated to maximize shareholder value, not structure a fire-sale deal to get themselves out of the liability exposure they now face due to their misconduct.

136. Finally, defendants breached their fiduciary obligations by arranging to squeeze Plaintiffs and Bearn Stearns' shareholders out of their equity interest in Bear Stearns by effectuating a stock-for-stock transaction with JPMorgan in exchange for indemnity and as a fraudulent means of

dismissing present shareholder derivative litigation against them. Thus, the only parties that will benefit are defendants who wish to expunge their liability to Bear Stearns.

THE ACQUISITION OF ENCORE CREDIT CORP

137. On October 10, 2006, the Individual Defendants caused or allowed Bear Stearns to issue a press release announcing its acquisition of ECC Capital Corporation's ("ECC") subprime mortgage origination platform of ECC's subsidiary, Encore Credit Corp. ECC was a mortgage finance real estate investment trust (REIT) that originated and invested in residential mortgage loans. ECC offered a series of mortgage products to borrowers with a particular emphasis on "nonconforming" borrowers who generally do not satisfy the credit, collateral, documentation or other standards required by conventional mortgage lenders and loan buyers and it managed a portfolio of these loans. The press release emphasized that the acquisition of ECC's mortgage origination platform would give the Company a "substantial stake in the subprime lending business." In particular, the press release provided as follows:

> The Bear Stearns Companies Inc. has agreed to acquire ECC Capital Corporation's mortgage banking platform, the two companies announced today. Under the agreement, Bear Stearns' mortgage bank subsidiary, Bear Stearns Residential Mortgage Corporation, will purchase the subprime mortgage origination platform of ECC Capital's subsidiary, Encore Credit Corp. Encore Credit, specializing in subprime mortgage origination, will operate as a separate division of Bear Stearns Residential Mortgage Corporation.
>
> "The acquisition of ECC Capital's origination unit will give Bear Stearns a substantial stake in the subprime lending business," said Jeff Verschleiser, a senior managing director in the mortgage department at Bear Stearns. "We continue to diversify our product mix to give independent mortgage brokers additional options through Bear Stearns Residential Mortgage Corporation. With our advanced technology, sophisticated risk management systems and capital markets expertise, we are well positioned to continue to broaden our already formidable mortgage franchise."
>
> Shabi Asghar, ECC Capital's President and Co-CEO, said, "As part of the Bear Stearns team, the Encore Credit sales force can now expect to have access to more competitive loan pricing, to have a broader product menu and to be integrated into Bear Stearns' state-of-the-art production platform technology, which will provide our

brokers with greater efficiency and service. Our origination business seems to be a natural fit with Bear Stearns' expansion in the subprime market." Mr. Asghar will be President and CEO of the business unit after the transaction closes. As part of the acquisition, Bear Stearns will take over Encore Credit's operating centers in Irvine, Cal., Downers Grove, Ill. and Glen Allen, Va. Bear Stearns will also acquire selected portfolios of whole loans. Encore Credit will leverage the benefits of Bear Stearns Residential Mortgage Corporation's existing technology, legal and compliance infrastructure. Bear Stearns Residential Mortgage Corporation expects to employ most of the personnel of Encore.

This acquisition is the latest addition to Bear Stearns' market-leading mortgage franchise. Bear Stearns Residential Mortgage Corporation began operations in April 2005 to provide mortgage brokers with an easy, streamlined solution for financing home loans. With an innovative technology platform called BearDirect.net, it now lends some $600 million per month in primarily Alt-A loans. Coupled with Encore Credit's mostly subprime mortgage origination, the combined platform will generate over $1 billion in loans per month.

"Bear Stearns has been buying loans from ECC Capital for over three years and the performance of its loans has been favorable compared with other originators in the marketplace," Mr. Verschleiser said. "Encore has a very strong sales organization, and as part of Bear Stearns Residential Mortgage Corporation we will be able to expand Encore Credit's product mix and improve its pricing and funding costs."

138. As part of its acquisition of ECC's subprime mortgage banking platform, Bear Stearns also acquired $1.2 billion of ECC's whole loan portfolio. Moreover, the acquisition of ECC provided defendants with the information regarding the looming subprime mortgage crisis to cast doubt on the Company's subsequent public statements on the financial well-being of the Company.

139. Prior to the Bear Stearns acquisition of Encore Credit, however, ECC had experienced dramatic net losses for 2005 and 2006. According to ECC's Form 10-K filed with the SEC on June 4, 2007, ECC experienced a net loss of $64,124,000 for the year ended December 31, 2005 and $134,642,000 for the year ended December 31, 2006.

140. During the same period ECC was experiencing such great net losses, ECC's stock price was also rapidly plummeting. On November 25, 2005, ECC's stock was trading at $3.19. On January 6, 2006, the stock had decreased and was trading at $2.37. On October 6, 2006, the day that Bear Stearns announced that it would be acquiring ECC, ECC's stock price was a measly $0.97 and,

at the time Bear Stearns' purchase of ECC was almost complete on February 9, 2007, ECC's stock was trading even lower at $0.93.

141. Since Bear Stearns' acquisition of ECC, the ECC announced on March 1, 2007 that it had been notified by the New York Stock Exchange ("NYSE") that it had fallen below the NYSE's continued listing standard relating to minimum share price. The NYSE requires that a listed company's common stock trade at a minimum average closing share price of $1.00 during a consecutive 30-day trading period. On March 19, 2007, the NYSE suspended trading for ECC.

142. During October 2006, the Individual Defendants knew or should have known that the acquisition of ECC's mortgage origination platform would cause harm to Bear Stearns. Despite the looming subprime mortgage market crisis as well as ECC's dramatic net losses and plummeting stock price, the Individual Defendants breached their fiduciary duties to Bear Stearns and recklessly directed Bear Stearns to acquire ECC's mortgage origination platform and the $1.2 billion of ECC's whole subprime loan portfolio.

THE IMPROPER BUYBACK

143. During the Relevant Period, while Bear Stearns' stock was artificially inflated due to the improper statements described above, the Director Defendants authorized the buyback of over $2.6 billion worth of Bear Stearns' shares at an average price of approximately $139.22 per share, which is substantially higher than Bear Stearns' current share price of less than $80 per share and comparable to the $161.92 per share the defendants averaged in selling their own Bear Stearns stock holdings during the Relevant Period. On information and belief, in authorizing the buyback, the Board members failed to properly discuss and consider the Company's exposure to the subprime mortgage lending crisis. While Bear Stearns was repurchasing these shares, the Insider Selling Defendants made the sales described herein.

DAMAGES TO BEAR STEARNS CAUSED BY THE INDIVIDUAL DEFENDANTS

144. As a result of the Individual Defendants' improprieties, Bear Stearns disseminated improper statements concerning its business prospects as alleged above. These improper statements have devastated Bear Stearns' credibility as reflected by the Company's collapse.

145. Further, as a direct and proximate result of the Individual Defendants' action, Bear Stearns has expended and will continue to expend significant sums of money. Such expenditures include, but are not limited to:

1. costs incurred from compensation and benefits paid to the defendants who have breached their duties to Bear Stearns;

2. costs incurred from the $2.6 billion that Bear Stearns spent repurchasing its own stock;

3. costs incurred from the reckless acquisition of ECC's subprime mortgage banking platform and $1.2 billion of ECC's whole subprime loan portfolio;

4. costs incurred in defending Bear Stearns in lawsuits filed in connection with the collapse of the Company's two hedge funds during July 2007;

5. costs incurred in connection with governmental investigations of the collapse of the two hedge funds;

6. costs incurred in connection with the collapse of a third hedge fund announced on or about January 9, 2008;

7. costs incurred in connection with massive lay-offs including severance costs, which totaled over $100 million during Bear Stearns' fiscal fourth quarter 2007;

8. costs incurred in connection with the forced sale of the Company to JPMorgan, including those associated with the issuance of 65 million new shares to effectively prevent a shareholder vote and guarantee the approval of the sale.

146. Moreover, these actions have irreparably damaged Bear Stearns' corporate image and goodwill. For at least the foreseeable future, Bear Stearns will suffer from what is known as the "liar's discount," a term applied to the stocks of companies who have been implicated in illegal

behavior and have misled the investing public, such that Bear Stearns' ability to raise equity capital or debt on favorable terms in the future is now impaired.

CONSPIRACY, AIDING AND ABETTING, AND CONCERTED ACTION

147. In committing the wrongful acts alleged herein, the Individual Defendants have pursued, or joined in the pursuit of, a common course of conduct, and have acted in concert with and conspired with one another in furtherance of their common plan or design. In addition to the wrongful conduct herein alleged as giving rise to primary liability, the Individual Defendants further aided and abetted and/or assisted each other in breaching their respective duties.

148. During all times relevant hereto, the Individual Defendants collectively and individually initiated a course of conduct that was designed to and did: (i) conceal the fact that the Company was improperly misrepresenting its business prospects and results; (ii) enhance the Individual Defendants' executive and directorial positions at Bear Stearns and the profits, power and prestige that the Individual Defendants enjoyed as a result of holding these positions; (iii) allow the Individual Defendants to sell over $65 million of their personally held shares; (iv) deceive the investing public, including shareholders of Bear Stearns, regarding the Individual Defendants' management of Bear Stearns' operations, the Company's financial health and stability, and its future business prospects, specifically related to the Company's financials that had been misrepresented by defendants throughout the Relevant Period; and (v) allow the Individual Defendants to sell Bear Stearns as a fraudulent means of dismissing the present shareholder derivative litigation against themselves. In furtherance of this plan, conspiracy and course of conduct, the Individual Defendants collectively and individually took the actions set forth herein.

149. The Individual Defendants engaged in a conspiracy, common enterprise and/or common course of conduct during the Relevant Period. During this time, the Individual Defendants caused the Company to conceal the true fact that Bear Stearns was misrepresenting its business prospects.

150. The purpose and effect of the Individual Defendants' conspiracy, common enterprise, and/or common course of conduct was, among other things, to disguise the Individual Defendants' breaches of fiduciary duty, waste of corporate assets and unjust enrichment; and to conceal adverse information concerning the Company's operations, financial condition and future business prospects.

151. The Individual Defendants accomplished their conspiracy, common enterprise and/or common course of conduct by causing the Company to purposefully, recklessly or negligently release improper statements. Because the actions described herein occurred under the authority of the Board, each of the Individual Defendants was a direct, necessary and substantial participant in the conspiracy, common enterprise and/or common course of conduct complained of herein.

152. Each of the Individual Defendants aided and abetted and rendered substantial assistance in the wrongs complained of herein. In taking such actions to substantially assist the commission of the wrongdoing complained of herein, each Individual Defendant acted with knowledge of the primary wrongdoing, substantially assisted the accomplishment of that wrongdoing, and was aware of his overall contribution to and furtherance of the wrongdoing.

INSIDER SELLING

153. The Insider Selling Defendants, because of their positions, knew that the statements the Company publicly made were incorrect. They also knew that the misstatements would create an inflated stock price. The Insider Selling Defendants took advantage of this undisclosed information to sell their personally held stock for considerably more than they were worth. Therefore, while in possession of undisclosed material adverse information, the Insider Selling Defendants sold the following shares of Bear Stearns' stock:

Insider Last Name	Transaction Date	Shares	Price	Proceeds
CAYNE	12/18/2006	46,415	$164.72	$7,645,478.80
	12/21/2007	172,621	$89.01	$15,364,995.21
		219,036		**$23,010,474.01**

FARBER	7/28/2006	1,000	$138.15	$138,150.00
	12/18/2006	881	$164.68	$145,083.08
	12/21/2007	2,443	$89.01	$217,451.43
		4,324		**$500,684.51**
GLICKMAN	12/5/2007	3,427	$92.52	$317,066.04
		3,427		**$317,066.04**
GREENBERG	11/30/2006	21,295	$143.48	$3,055,406.60
	12/18/2006	5,768	$164.68	$949,874.24
	1/3/2007	150,396	$163.11	$24,531,091.56
	3/22/2007	1,818	$151.26	$274,990.68
	12/21/2007	99,293	$89.01	$8,838,069.93
		278,570		**$37,649,433.01**
HARRINGTON	1/17/2007	1,000	$171.45	$171,450.00
		1,000		**$171,450.00**
MAYER	12/21/2007	102,408	$89.01	$9,115,336.08
		102,408		**$9,115,336.08**
MINIKES	12/18/2006	19,274	$164.72	$3,174,813.28
	3/22/2007	1,295	$151.26	$195,881.70
	12/21/2007	25,927	$89.01	$2,307,762.27
		46,496		**$5,678,457.25**
MOLINARO	12/18/2006	9,344	$164.68	$1,538,769.92
	3/22/2007	1,482	$151.26	$224,167.32
	12/21/2007	27,726	$89.01	$2,467,891.26
		38,552		**$4,230,828.50**
NOVELLY	12/28/2007	50,000	$86.78	$4,339,000.00
		50,000		**$4,339,000.00**
SCHWARTZ	12/18/2006	21,833	$164.72	$3,596,331.76
	3/22/2007	1,500	$151.26	$226,890.00
	12/21/2007	67,900	$89.01	$6,043,779.00
		91,233		**$9,867,000.76**
SPECTOR	12/18/2006	44,096	$164.68	$7,261,729.28
	12/21/2006	69,197	$164.12	$11,356,611.64
	3/22/2007	2,962	$151.26	$448,032.12
		116,255		**$19,066,373.04**

TESE	12/26/2007	716	$87.89	$62,929.24
		716		**$62,929.24**
Total:		**952,017**		**$114,009,032.44**

DERIVATIVE AND DEMAND FUTILITY ALLEGATIONS

154. Plaintiffs bring this action derivatively in the right and for the benefit of Bear Stearns to redress damages suffered and to be suffered by Bear Stearns as a direct result of Defendants' breaches of fiduciary duty, waste of corporate assets, unjust enrichment and violations of the Exchange Act, as well as the aiding and abetting thereof, by the Individual Defendants. This is not a collusive action to confer jurisdiction in this Court which it would not otherwise have. Bear Stearns is named as a nominal defendant in a derivative capacity. This is not a collusive action to confer jurisdiction on this Court that it would not otherwise have.

155. Plaintiffs will adequately and fairly represent the interests of Bear Stearns in enforcing and prosecuting its rights.

156. Plaintiffs are and were owners of the stock of Bear Stearns during times relevant to the Individual Defendants' wrongful course of conduct alleged herein, and remain shareholders of the Company.

157. The Board of Bear Stearns at the time the original complaint was filed consisted of the following twelve individuals: defendants Greenberg, Schwartz, Cayne, Glickman, Harrington, Salerno, Nickell, Tese, Novelly, Bienen, Williams and Goldstein. A majority of the directors, if not all, face a sufficiently substantial threat of personal liability to compromise their ability to act impartially on a demand.

158. Plaintiffs have not made any demand on the present board of Directors of Bear Stearns to institute this action because such demand would have been a futile and useless act for the foregoing and following reasons:

159. During the Relevant Period, defendants Greenberg, Schwartz, Cayne, Glickman, Harrington, Salerno, Nickell, Tese, Novelly, Bienen and Williams, as members of the Board during

the Relevant Period, authorized the acquisition of ECC's subprime mortgage origination platform. ECC was largely affected by the subprime mortgage crisis. The Board did not exercise valid business judgment when it rendered the decision to acquire a Company's whole subprime loan portfolio worth $1.2 billion. Moreover, the Board failed to properly discuss or consider the negative effects that the acquisition of ECC's subprime assets would have on the Company's business and business prospects. Accordingly, demand would have been futile.

160. Defendants Greenberg, Schwartz, Cayne, Glickman, Harrington, Salerno, Nickell, Tese, Novelly, Bienen, Williams and Goldstein, as members of the Board during the Relevant Period, authorized the repurchases of over $2.6 billion worth of the Company's shares at artificially inflated prices. Bear Stearns repurchased these shares under two stock repurchase programs that the Board authorized during December 2005 and December 2006. The Board's decisions to authorize the stock repurchases were not the product of valid business judgment. Among other things, the Board failed to properly discuss or consider Bear Stearns' exposure to the subprime mortgage crisis. Further, defendants Greenberg, Schwartz, Cayne, Glickman and Harrington engaged in self-dealing in that they sold their personally held shares while directing the Company to buy shares. Accordingly, demand would have been futile.

161. As a result of their access to and review of internal corporate documents; conversations and connections with other corporate officers, employees and directors; and attendance at management and Board meetings, each of the defendants knew the adverse, non-public information regarding Bear Stearns' true business prospects. While in possession of this material, adverse, non-public information regarding the Company, the following current members of the Bear Stearns Board participated in the illegal insider selling by selling the following amounts:

1. while in possession of adverse, non-public information, Greenberg sold 179,277 shares of Bear Stearns stock for proceeds of $28,811,363.08;

2. while in possession of adverse, non-public information, Cayne sold 46,415 shares of Bear Stearns stock for proceeds of $7,645,478.80;

3. while in possession of adverse, non-public information, Schwartz sold 23,333 shares of Bear Stearns stock for proceeds of $3,823,221.76;

4. while in possession of adverse, non-public information, Glickman sold 3,427 shares of Bear Stearns stock for proceeds of $317,066.04; and

5. while in possession of adverse, non-public information, Harrington sold 1,000 shares of Bear Stearns stock for proceeds of $171,450.

Because these defendants received a personal financial benefit from the challenged insider trading transactions, these defendants are interested. Moreover, these defendants face a sufficiently substantial threat of liability for breach of their fiduciary duties for insider selling. Since these directors have breached their fiduciary duties and are interested, any demand upon them would have been futile.

162. Defendants Nickell, Novelly, Salerno and Tese were, during the Relevant Period, members of the Finance and Risk Committee. The Finance and Risk Committee is responsible by its charter for: (i) reviewing and discussing with the Audit Committee Bear Stearns' policies and procedures regarding risk assessment and risk management of the Company's trading and investment risks; (ii) reviewing and discussing the risk measures and risk models utilized by the Company in evaluating and limiting financial risks; and (iii) reviewing and discussing with the Audit Committee significant risk exposures and trends. Thus, these defendants had a duty to know and accordingly did know that: (i) Bear Stearns faced exposure to the subprime mortgage crisis; and (ii) the Company's Relevant Period statements did not properly disclose that exposure. On information and belief, the Finance and Risk Committee reviewed and discussed Bear Stearns' exposures to the subprime crisis, which has been ongoing since at least mid-2006, during the course of its reviews and discussions of Bear Stearns' financial risks. Despite their knowledge of Bear Stearns' exposure to the subprime mortgage crisis, these defendants consciously disregarded their fiduciary duties owed to Bear Stearns by causing or allowing the improper statements alleged above. Accordingly, demand would have been futile as to defendants Nickell, Novelly, Salerno and Tese.

163. Defendants Bienen, Glickman, Goldstein, Novelly, Salerno, Tese and Williams were, during the Relevant Period, members of the Audit Committee. The Audit Committee is responsible by its charter for: (i) reviewing and discussing earnings press releases; (ii) reviewing and discussing financial information and earnings guidance provided to analysts and rating agencies; and (iii) discussing with the Finance and Risk Committee Bear Stearns' policies regarding risk assessment and risk management, including Bear Stearns' major financial and credit risk and the steps management has taken to monitor and control such risks. Thus, these defendants had a duty to know and accordingly did know that: (i) Bear Stearns faced exposure to the subprime mortgage crisis; and (ii) the Company's Relevant Period statements did not properly disclose that exposure. On information and belief, the Audit Committee held discussions with the Finance and Risk Committee concerning Bear Stearns' exposure to the subprime crisis, which has been ongoing since at least mid-2006. Despite their knowledge of Bear Stearns' exposure to the subprime mortgage crisis, these defendants consciously disregarded their fiduciary duties owed to Bear Stearns by causing or allowing the improper statements and earnings press releases alleged above. Thus, Bienen, Glickman, Goldstein, Novelly, Salerno, Tese and Williams face a sufficiently substantial likelihood of liability for their breach of fiduciary duties and any demand upon them would have been futile.

164. The principal professional occupation of Greenberg is his employment with Bear Stearns, pursuant to which he received and continues to receive substantial monetary compensation and other benefits. Specifically, Bear Stearns paid Greenberg the following compensation:

Fiscal Year	**Salary**	**Bonus**	**Restricted Stock Awards**	**Securities Underlying Options**	**All Other Compensation**
2006	$250,000	$9,000,000	$7,612,500	18,789	$3,057,772
2005	$200,000	$7,274,154	$5,665,819	32,026	$2,183,559

Accordingly, Greenberg lacks independence from defendants Glickman, Harrington, Nickell and Tese, who are not disinterested and/or independent and who exert influence over Greenberg's compensation by virtue of their positions as members of the Compensation Committee. The Compensation Committee has the authority to review and approve Greenberg's base salary, bonus

and equity compensation. This lack of independence renders defendant Greenberg incapable of impartially considering a demand to commence and vigorously prosecute this action.

165. The principal professional occupation of Schwartz is his employment with Bear Stearns, pursuant to which he received and continues to receive substantial monetary compensation and other benefits. Specifically, Bear Stearns paid Schwartz the following compensation:

Fiscal Year	Salary	Bonus	Restricted Stock Awards	Securities Underlying Options	All Other Compensation
2006	$250,000	$16,237,150	$14,014,065	33,847	$5,233,207
2005	$200,000	$12,072,654	$9,744,544	53,650	$4,487,164

Accordingly, Schwartz lacks independence from defendants Glickman, Harrington, Nickell and Tese, who are not disinterested and/or independent and who exert influence over Schwartz's compensation by virtue of their positions as members of the Compensation Committee. The Compensation Committee has the authority to review and approve Schwarz's base salary, bonus and equity compensation. This lack of independence renders defendant Schwartz incapable of impartially considering a demand to commence and vigorously prosecute this action.

166. Each of the key officers and directors knew of and/or directly benefited from the wrongdoing complained of herein.

167. The Director Defendants of Bear Stearns, as more fully detailed herein, participated in, approved and/or permitted the wrongs alleged herein to have occurred and participated in efforts to conceal or disguise those wrongs from Bear Stearns' stockholders or recklessly and/or negligently disregarded the wrongs complained of herein and are therefore not disinterested parties.

168. The acts complained of constitute violations of fiduciary duties owed by Bear Stearns' officers and directors and these acts are incapable of ratification.

169. Each of the Director Defendants of Bear Stearns authorized and/or permitted the false statements disseminated directly to the public or made directly to securities analysts and which were made available and distributed to shareholders, authorized and/or permitted the issuance of various

improper statements and are principal beneficiaries of the wrongdoing alleged herein, and thus could not fairly and fully prosecute such a suit even if such suit was instituted by them.

170. Moreover, despite the Individual Defendants having knowledge of the claims and causes of action raised by Plaintiffs, the current Board has failed and refused to seek recovery for Bear Stearns for any of the wrongdoing alleged by Plaintiffs herein.

171. Notwithstanding Defendants knowledge of the claims and causes of action raised by Plaintiffs, Bear Stearns' Board of Directors has failed and refused to seek recovery for Bear Stearns for any of the wrongdoing alleged by Plaintiffs herein.

172. Plaintiffs have not made any demand on shareholders of Bear Stearns to institute this action since such demand would have been a futile and useless act for the following reasons:

(a) Bear Stearns is a publicly held company with over 145 million shares outstanding, and over thousands of shareholders;

(b) Making demand on such a number of shareholders would be impossible for Plaintiffs who have no way of finding out the names, addresses or phone numbers of shareholders; and

(c) Making demand on all shareholders would force Plaintiffs to incur huge expenses, assuming all shareholders could be individually identified.

CLASS ACTION ALLEGATIONS

173. Plaintiffs brings this action on his own behalf and as a class action under Federal Rule of Civil Procedure Rule 23 on behalf of all holders of Bear Stearns stock who are being and will be harmed by defendants' actions described below (the "Class"). Excluded from the Class are defendants herein and any person, firm, trust, corporation or other entity related to or affiliated with any defendant.

174. This action is properly maintainable as a class action.

175. The Class is so numerous that joinder of all members is impracticable. According to Bear Stearns SEC filings, there were 145,633,335 million shares of Bear Stearns common stock outstanding as of February 20, 2008.

176. There are questions of law and fact which are common to the Class and which predominate over questions affecting any individual Class member. The common questions include, *inter alia*, the following:

(a) whether defendants are breaching their fiduciary duties of undivided loyalty, independence or due care with respect to Plaintiffs and the other members of the Class in connection with the Acquisition;

(b) whether defendants are engaging in self-dealing in connection with the Acquisition;

(c) whether defendants are breaching their fiduciary duty to secure and obtain the best price reasonable under the circumstances for the benefit of Plaintiffs and the other members of the Class in connection with the Acquisition;

(d) whether defendants are unjustly enriching themselves and other insiders or affiliates of Bear Stearns;

(e) whether defendants are breaching any of their other fiduciary duties to Plaintiffs and the other members of the Class in connection with the Acquisition, including the duties of good faith, diligence, honesty and fair dealing;

(f) whether defendants are breaching their fiduciary duties of candor to Plaintiffs and the other members of the Class in connection with the Acquisition by failing to disclose all material information concerning the Acquisition;

(g) whether defendants, in bad faith and for improper motives, are impeding or erecting barriers to discourage other offers for the Company or its assets;

(h) whether the Acquisition compensation payable to Plaintiffs and the Class is unfair and inadequate; and

(i) whether Plaintiffs and the other members of the Class would be irreparably harmed were the Acquisition complained of herein consummated.

177. Plaintiffs' claims are typical of the claims of the other members of the Class and plaintiffs do not have any interests adverse to the Class.

178. Plaintiffs are adequate representatives of the Class, have retained competent counsel experienced in litigation of this nature and will fairly and adequately protect the interests of the Class.

179. The prosecution of separate actions by individual members of the Class would create a risk of inconsistent or varying adjudications with respect to individual members of the Class which would establish incompatible standards of conduct for the party opposing the Class.

180. Plaintiffs anticipate that there will be no difficulty in the management of this litigation. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

181. Defendants have acted on grounds generally applicable to the Class with respect to the matters complained of herein, thereby making appropriate the relief sought herein with respect to the Class as a whole.

COUNT I

(On Behalf of Plaintiffs and the Class for Breach of Fiduciary Duties Against the Acquisition Defendants)

182. Plaintiffs repeat and reallege each allegation set forth herein.

183. The Individual Defendants have violated the fiduciary duties of care, loyalty, candor, good faith and independence owed to the public shareholders of Bear Stearns and have acted to put their personal interests ahead of the interests of Bear Stearns' shareholders.

184. By the acts, transactions and courses of conduct alleged herein, defendants, individually and acting as a part of a common plan, are attempting to unfairly deprive Plaintiffs and other members of the Class of the true value inherent in and arising from Bear Stearns.

185. The Individual Defendants have violated their fiduciary duties by entering Bear Stearns into the Merger Agreement without regard to the effect of the proposed transaction on Bear Stearns' shareholders.

186. The Individual Defendants and, in particular, defendants Tese, Bienen, Glickman, Goldstein, Novelly, Salerno and Williams violated their fiduciary duties by entering Bear Stearns into the Stock Exchange Agreement and expressly approving it without first seeking shareholder approval in disregard to the effect of that agreement on Bear Stearns' shareholders.

187. As demonstrated by the allegations above, the Individual Defendants failed to exercise the care required, and breached their duties of loyalty, good faith, candor and independence owed to the shareholders of Bear Stearns because, among other reasons:

(a) they failed to take steps to maximize the value of Bear Stearns to its public shareholders and they took steps to avoid competitive bidding, to cap the value of Bear Stearns' stock and to give the Individual Defendants an unfair advantage, by, among other things, agreeing to the coercive deal terms alleged herein and failing to adequately solicit other potential acquirors or alternative transactions;

(b) they failed to properly value Bear Stearns and its various assets and operations;

(c) they acted to negotiate and agree to unfair terms in an attempt to extinguish the Company as a separate entity and that the Individual Defendants may escape liability for their breaches of fiduciary duties; and

(d) they ignored or did not protect against the numerous conflicts of interest resulting from the directors' own interrelationships or connection with the proposed Merger.

188. Because the Individual Defendants dominate and control the business and corporate affairs of Bear Stearns, and are in possession of private corporate information concerning Bear Stearns' assets, business and future prospects, there exists an imbalance and disparity of knowledge and economic power between them and the public shareholders of Bear Stearns which makes it

inherently unfair for them to pursue and recommend any proposed transaction wherein they will reap disproportionate benefits to the exclusion of maximizing stockholder value.

189. By reason of the foregoing acts, practices and course of conduct, the Individual Defendants have failed to exercise ordinary care and diligence in the exercise of their fiduciary obligations toward Plaintiffs and the other members of the Class.

190. Unless enjoined by this Court, the Individual Defendants will continue to breach their fiduciary duties owed to Plaintiffs and the Class, and may consummate the proposed Merger which will exclude the Class from its fair share of Bear Stearns' valuable assets and operations, and/or benefit defendants in the unfair manner complained of herein, all to the irreparable harm of the Class.

191. The Individual Defendants are engaging in self-dealing, are not acting in good faith toward Plaintiffs and the other members of the Class, and have breached and are breaching their fiduciary duties to the members of the Class.

192. As a result of the Individual Defendants' unlawful actions, Plaintiffs and the other members of the Class will be irreparably harmed in that they will not receive the value to which they are entitled for their shares or their fair portion of the value of Bear Stearns' assets and operations. Unless the proposed Merger is enjoined by the Court, the Individual Defendants will continue to breach their fiduciary duties owed to Plaintiffs and the members of the Class, will not engage in arm's-length negotiations on the proposed Merger terms, and will not supply to Bear Stearns' minority stockholders sufficient information to enable them to cast informed votes for an against adoption of the proposed Merger Agreement and may consummate the proposed Merger, all to the irreparable harm of the members of the Class.

193. Plaintiffs and the members of the Class have no adequate remedy at law. Only through the exercise of this Court's equitable powers can Plaintiffs and the Class be fully protected from the immediate and irreparable injury which defendants' actions threaten to inflict.

COUNT II

(Derivatively on Behalf of the Company Against All Defendants for <u>Breach of Fiduciary Duty)</u>

194. Plaintiffs incorporate by reference all preceding paragraphs as if fully set forth herein.

195. As alleged in detail herein, Cayne, and each of the Individual Defendants, had a duty to Bear Stearns and its shareholders to, amongst other things, ensure that the Company operated in a diligent, honest and prudent manner.

196. Plaintiffs assert this claim derivatively on behalf of Bear Stearns against Cayne and all of the Director Defendants.

197. Cayne and the Individual Defendants have breached their fiduciary duties of care, loyalty and good faith owed to Bear Stearns and its stockholders.

198. Further, each of the Individual Defendants had actual or constructive knowledge that they had caused the Company to improperly misrepresent the financial results of the Company and failed to correct the Company's publicly reported financial results and guidance. These actions could not have been a good faith exercise of prudent business judgment to protect and promote the Company's corporate interests.

199. By reason of the foregoing, Bear Stearns has sustained and will continue to sustain serious damage and irreparable injury, for which relief is sought herein.

200. Plaintiffs and Bear Stearns have no adequate remedy of law.

COUNT III

(Derivatively on Behalf of the Company Against All Defendants for Violation of the <u>Exchange Act §§10(b) and Rule 10b-5)</u>

201. Plaintiffs incorporate by reference and reallege each and every allegation set forth above, as though fully set forth herein.

202. During the Relevant Period, Individual Defendants disseminated or approved public statements that improperly portrayed Bear Stearns' business prospects, growth and margins. The

Individual Defendants knew that the Company's public statements concerning its business prospects were misleading and intended to deceive, manipulate and/or defraud in connection therewith.

203. Individual Defendants knew, consciously disregarded and were reckless and grossly negligent in causing the false and misleading statements to be made. Individual Defendants caused the Company's common stock to be inflated due to the improper reporting of the value of the Bear Stearns' business prospects, especially concerning the Company's reckless acquisition of ECC, which further increased the risk and exposed the Company to the subprime mortgage crisis, and its fire sale to JPMorgan for a wholly unfair and inadequate price. Accordingly, Individual Defendants violated the Exchange Act §10(b) and Rule 10b-5.

204. Furthermore, the Insider Selling Defendants sold over $65 million worth of shares of Bear Stearns' common stock at inflated prices during the Relevant Period while in possession of material non-public information. These defendants misappropriated Bear Stearns' proprietary information and violated their so-called "abstain or disclose" duties under the federal securities laws when they sold Bear Stearns stock without disclosing the information alleged to have been concealed herein.

205. At the same time the price of the Company's common stock was inflated due to the improper reporting of the value of Bear Stearns' business prospects, especially concerning the Company's exposure to the subprime mortgage market crisis, and the Insider Selling Defendants were selling stock into the market, the Director Defendants and defendant Molinaro were causing Bear Stearns to repurchase over $2.6 billion worth of its own stock on the open market at an average inflated price of approximately $139.22 per share, which is substantially higher than Bear Stearns' current share price of under $80 per share.

206. As such, the Director Defendants and defendant Molinaro violated §10(b) of the Exchange Act and SEC Rule 10b-5 in that they:

(a) employed devices, schemes and artifices to defraud;

(b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) engaged in acts, practices and a course of business that operated as a fraud or deceit upon Bear Stearns and others in connection with their purchases of Bear Stearns common stock during the Relevant Period.

207. As a result of the Director Defendants' and defendant Molinaro's misconduct, Bear Stearns has and will suffer damages in that it paid artificially inflated prices for Bear Stearns common stock purchased on the open market. Bear Stearns would not have purchased Bear Stearns common stock at the prices it paid, had the market previously been aware that the market price of Bear Stearns' stock was artificially and falsely inflated by defendants' misleading statements. As a direct and proximate result of these defendants' wrongful conduct, Bear Stearns suffered damages in connection with its purchases of Bear Stearns common stock during the Relevant Period. By reason of such conduct, the Director Defendants and defendant Molinaro are liable to the Company pursuant to §10(b) of the Exchange Act and SEC Rule 10b-5 promulgated thereunder.

208. Therefore, during the Relevant Period, Individual Defendants directly and proximately caused Bear Stearns' damages.

COUNT IV

(Derivatively on Behalf of the Company Against the Insider Selling Defendants for Breach of Fiduciary Duties for Insider Selling and Misappropriation of Information)

209. Plaintiffs incorporate by reference and reallege each and every allegation set forth above, as though fully set forth herein.

210. At the time of the stock sales set forth herein, the Insider Selling Defendants knew the information described above, and sold Bear Stearns common stock on the basis of such information.

211. The information described above was proprietary non-public information concerning the Company's financial condition and future business prospects. It was a proprietary asset

belonging to the Company, which the Insider Selling Defendants used for their own benefit when they sold Bear Stearns common stock.

212. At the time of their stock sales, the Insider Selling Defendants knew that the Company's revenues were materially overstated. The Insider Selling Defendants' sales of Bear Stearns common stock while in possession and control of this material adverse non-public information was a breach of their fiduciary duties of loyalty and good faith.

213. Since the use of the Company's proprietary information for their own gain constitutes a breach of the Insider Selling Defendants' fiduciary duties, the Company is entitled to the imposition of a constructive trust on any profits the Insider Selling Defendants obtained thereby.

COUNT V

(Derivatively on Behalf of the Company Against All Defendants for Waste of Corporate Assets)

214. Plaintiffs incorporate by reference and reallege each and every allegation set forth above, as though fully set forth herein.

215. Each Individual Defendant owes and owed to Bear Stearns the obligation to protect Bear Stearns' assets from loss or waste. The Individual Defendants' failure to adequately evaluate and monitor Bear Stearns' risk in the CDO market constituted a waste of Bear Stearns' corporate assets and was grossly unfair to Bear Stearns. No person of ordinary, sound business judgment could conclude that the Individual Defendants' decision to become so overextended in the risky CDO market was a sound exercise of business judgment.

216. Furthermore, as a result of the misconduct described above, the Individual Defendants wasted corporate assets by failing to properly consider the interests of the Company and its public shareholders by failing to conduct proper supervision, paying $2.6 billion to repurchase the Company' stock and paying bonuses to certain of its executive officers.

217. As a result of the waste of corporate assets, the Individual Defendants are liable to the Company.

218. Plaintiffs, on behalf of Bear Stearns, have no adequate remedy at law.

COUNT VI

(Derivatively on Behalf of the Company Against All Defendants for Abuse of Control)

219. Plaintiffs incorporate by reference and reallege each and every allegation set forth above, as though fully set forth herein.

220. The Individual Defendants' misconduct alleged herein constituted an abuse of their ability to control and influence Bear Stearns, for which they are legally responsible. In particular, the Individual Defendants abused their positions of authority by causing or allowing Bear Stearns to violate it publicly disclosed risk management procedures and issue statements that improperly portrayed Bear Stearns' business prospects.

221. As a direct and proximate result of the Individual Defendants' abuse of control, Bear Stearns has sustained significant damages. These damages include, but are not limited to, Bear Stearns' severe loss of market credibility as reflected in its eventual forced sale and $2.6 billion paid to repurchase the Company's stock.

222. As a result of the misconduct alleged herein, the Individual Defendants are liable to the Company.

223. As a result of the misconduct alleged herein, these Defendants are liable to the Company.

COUNT VII

(Derivatively on Behalf of the Company Against All Defendants for Breach of Fiduciary Duty for Gross Mismanagement)

224. Plaintiffs repeat and reallege each of the foregoing paragraphs as if fully set forth herein.

225. By their allegations alleged herein, Individual Defendants, either directly or through aiding and abetting, abandoned and abdicated their responsibilities and fiduciary duties with regard

to prudently managing the assets, risks and business of Bear Stearns in a manner consistent with the operations of a publicly held corporation.

226. As a direct and proximate result of these defendants' gross mismanagement and breaches of duty alleged herein, Bear Stearns has sustained significant damages in excess of $1 billion dollars.

227. As a result of the misconduct and breaches of duty alleged herein, these defendants are liable to the Company.

COUNT VIII

(Derivatively on Behalf of the Company Against All Defendants for Unjust Enrichment)

228. Plaintiffs incorporate by reference and reallege each and every allegation set forth above, as though fully set forth herein.

229. By their wrongful acts and omissions, the Individual Defendants were unjustly enriched at the expense of and to the detriment of Bear Stearns.

230. Plaintiffs, as shareholders and representatives of Bear Stearns, seek restitution from these defendants, and each of them, and seek an order of this Court disgorging all profits, benefits and other compensation obtained by these defendants, and each of them, from their wrongful conduct and fiduciary breaches.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs demand judgment in their favor and in favor of Bear Stearns against all of the defendants as follows:

A. Against all of the Individual Defendants and in favor of the Company for the amount of damages sustained by the Company as a result of the Individual Defendants' breaches of fiduciary duties, waste of corporate assets and unjust enrichment;

B. Declaring that the Individual Defendants are liable under of §10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder and awarding Bear Stearns damages;

C. Directing Bear Stearns to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable laws and to protect Bear Stearns and its shareholders from a repeat of the damaging events described herein, including, but not limited to, putting forward for shareholder vote resolutions for amendments to the Company's By-Laws or Articles of Incorporation and taking such other action as may be necessary to place before shareholders for a vote the following Corporate Governance Policies:

1. a proposal to strengthen the Board's supervision of operations and develop and implement procedures for greater shareholder input into the policies and guidelines of the Board;

2. a provision to permit the shareholders of Bear Stearns to nominate at least three candidates for election to the Board;

3. a proposal to ensure the accuracy of the qualifications of Bear Stearns' directors, executives and other employees;

4. a proposal to control insider selling;

5. a proposal to ensure that Bear Stearns prudently expends funds in stock repurchase programs;

6. a proposal to better manage and disclose Bear Stearns' credit risks; and

7. appropriately test and then strengthen the internal audit and control functions.

D. Extraordinary equitable and/or injunctive relief as permitted by law, equity and state statutory provisions sued hereunder, including attaching, impounding, imposing a constructive trust on or otherwise restricting defendants' assets so as to assure that Plaintiffs on behalf of Bear Stearns have an effective remedy;

E. As to the Count I, declaring that this action is properly maintainable as a class action;

F. Declaring and decreeing that the Acquisition agreement entered into by the Company was approved in breach of the fiduciary duties of defendants and is therefore unlawful and unenforceable;

G. Awarding to Bear Stearns restitution from the defendants, and each of them, and ordering disgorgement of all profits, benefits and other compensation obtained by the defendants;

H. Enjoining defendants, their agents, counsel, employees and all persons acting in concert with them from consummating the Acquisition, unless and until the Company adopts and implements a procedure or process to obtain the highest possible price for shareholders;

I. Directing defendants to exercise their fiduciary duties to obtain a transaction which is in the best interests of Bear Stearns shareholders until the process for the sale or auction of the Company is completed and the highest possible price is obtained;

J. Rescinding, to the extent already operative or implemented, the Merger Agreement or any of the terms thereof including without limitation the "No-Solicitation," "force-the-vote," "Restructuring Efforts," and restrictive shareholder vote clauses and the "Covenants Relating to Conduct of Business" and the Asset Option;

K. Awarding to Plaintiffs the costs and disbursements of the action, including reasonable attorneys' fees, accountants' and experts' fees, costs, and expenses; and

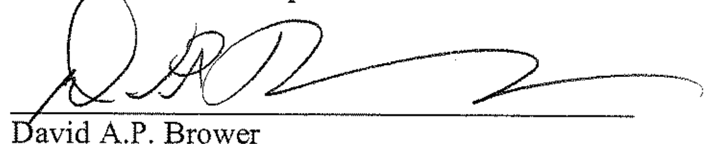
L. Granting such other and further relief as the Court deems just and proper.

JURY DEMAND

Plaintiffs demand a trial by jury.

DATED: April 10, 2008

BROWER PIVEN
A Professional Corporation



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Counsel for Plaintiff Jerome Birn

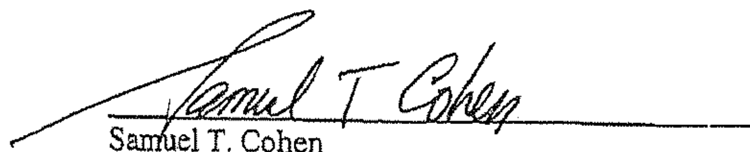
VERIFICATION

I, Samuel T. Cohen, verify:

I am the Plaintiff in the above-entitled action; I hereby verify that I was a shareholder of The Bear Stearns Companies, Inc. at the times the misconduct complained of in the Verified Amended Shareholder Derivative and Class Complaint ("Complaint") occurred. Additionally, I have reviewed the allegations made in the Complaint, and to those allegations of which I have personal knowledge I believe those allegations to be true. As to those allegations of which I do not have personal knowledge, I rely on my counsel and their investigation and believe them to be true. Having received a copy of this Complaint, having reviewed it with my counsel, I hereby authorize its filing.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed this 1st day of April 2008 at Baltimore, Maryland.



Samuel T. Cohen

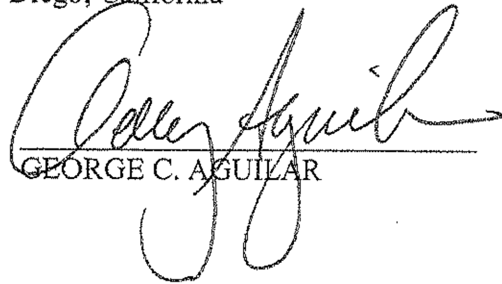
<u>VERIFICATION</u>

I, George C. Aguilar, hereby declare as follows:

1. I am a member of the law firm of Robbins Umeda & Fink, LLP, counsel for plaintiff in The Bear Sterns Companies, Inc. action. I have read the foregoing complaint and know the contents thereof. I am informed and believe the matters therein are true and on that ground allege that the matters stated therein are true.

2. I make this Verification because plaintiff is absent from the County of San Diego where I maintain my office.

Executed this 3rd day of April 2008, at San Diego, California



GEORGE C. AGUILAR