PROXY PAPER

Bear Stearns Cos.

NYSE: BSC
Industry: Investment Services
Meeting Date: May 29, 2008
Record Date: April 18, 2008

Jason McCandless, Lead Analyst
jmccandless@glasslewis.com

2008 MERGER MEETING

Proposal	Issue	Board	GL&Co.
1.00	Approval of the Merger Agreement	For	For
2.00	Right to Adjourn Meeting	For	For

NOTE

NOTE: We have updated our report to modify our description of a certain shareholder forum. Our original recommendation remains unchanged.

Company Profile

ADDRESS

383 Madison Avenue
New York, NY 10179
www.bearstearns.com
Phone: +1 (212) 2722000
Fax: +1 (212) 2724785

Employees: 13,834

STOCK

Ticker:	BSC
Exchange:	NYSE
Industry:	Investment Services

COMPANY DESCRIPTION

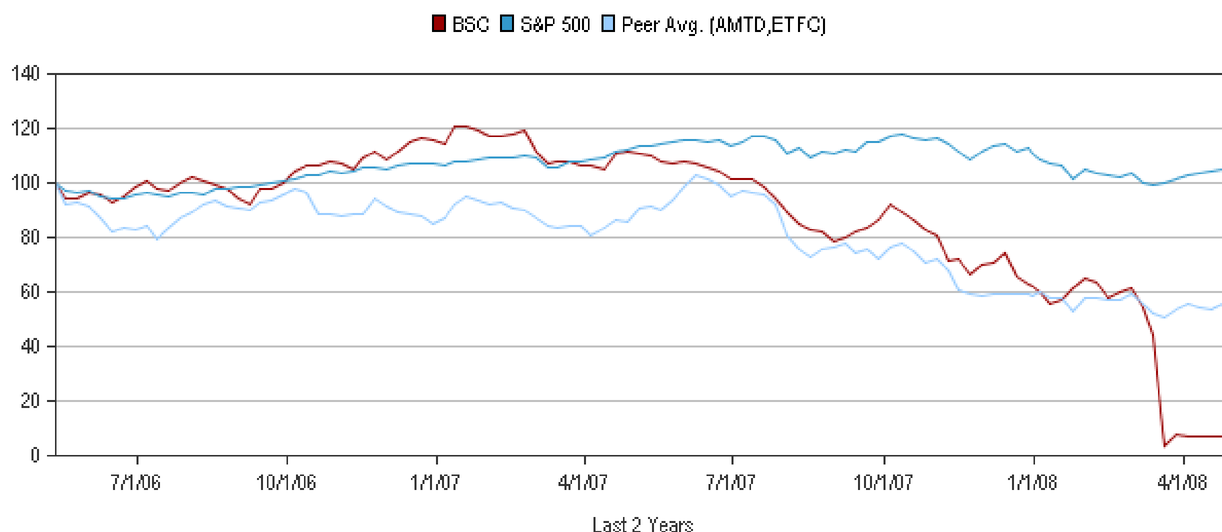
The Bear Stearns Companies Inc. is a holding company that through its broker-dealer and international bank subsidiaries, principally Bear, Stearns & Co. Inc. (Bear Stearns), Bear, Stearns Securities Corp. (BSSC), Bear, Stearns International Limited (BSIL) and Bear Stearns Bank plc (BSB) is an investment banking, securities and derivatives trading, clearance and brokerage firm serving corporations, governments, institutional and individual investors worldwide. The Company is primarily engaged in business as a securities broker and dealer operating in three principal segments: Capital Markets, Global Clearing Services and Wealth Management.

Source: FactSet

TOP 20 INSTITUTIONAL HOLDERS

Holder	% Owned
1. Legg Mason Capital Management, Inc.	2.38%
2. Private Capital Management, Inc.	2.30%
3. Barclays Global Investors NA (California)	1.85%
4. Van Kampen Asset Management	1.80%
5. State Street Global Advisors	1.48%
6. Vanguard Group, Inc.	1.36%
7. Merrill Lynch, Pierce, Fenner & Smith, Inc.	1.29%
8. Janus Capital Management LLC	1.14%
9. Fidelity Management & Research	0.95%
10. Putnam Investment Management, Inc.	0.93%
11. Goldman Sachs & Co.	0.76%
12. SRM Global	0.72%
13. Morgan Stanley Investment Management, Inc.	0.71%
14. T. Rowe Price Associates, Inc.	0.58%
15. Gruss Asset Management LP	0.57%
16. TIAA-CREF Asset Management LLC	0.53%
17. Lehman Brothers Asset Management LLC	0.46%
18. Northern Trust Investments	0.45%
19. Jet Capital Investors LP	0.42%
20. Kinetics Asset Management, Inc.	0.36%

INDEXED STOCK PRICE



GLASS LEWIS &Co.

Proposal 1.00: Approval of the Merger Agreement

FOR

Summary

The Bear Stearns Companies Inc. (“Bear Stearns”) and JPMorgan Chase & Co. (“JPMorgan”) have entered into a merger agreement pursuant to which BSC Merger Corporation, a wholly-owned subsidiary of JPMorgan, will merge with Bear Stearns and Bear Stearns will become a subsidiary of JPMorgan.

Bear Stearns shareholders have been offered 0.21753 of a share of JPMorgan common stock in exchange for each 1.0 share of Bear Stearns common stock they hold. The implied merger value per share was $10.00 based on the closing share prices one day prior to the March 24, 2008 announcement.

Background

On Monday, March 10, 2008, Moody’s Investors Service ("Moody’s") downgraded certain series of mortgage-backed debt issued by the Bear Stearns Alt-A Trust, and rumors began to circulate in the market that there were significant liquidity problems at Bear Stearns itself.

On Thursday, March 13, 2008, The Wall Street Journal reported that, in reaction to the increasingly negative market perception regarding Bear Stearns’ liquidity position, trading counterparties were becoming cautious about their dealings with, and exposure to, Bear Stearns. Over the course of the day, and at an increasing rate in the afternoon, an unusual large number of customers withdrew funds from Bear Stearns and a significant number of counterparties and lenders were unwilling to make secured funding available to Bear Stearns on customary terms.

During the evening of March 13, 2008, Bear Stearns senior management met with its legal and financial advisors to review the events of the day. Following this meeting, Mr. Schwartz contacted James Dimon, Chairman and CEO of JPMorgan, to discuss Bear Stearns’ liquidity position and seek funding assistance or a business combination. Bear Stearns’ representatives also advised the New York Fed and the SEC of the situation.

In the afternoon of March 14, 2008, Standard and Poor’s, Moody’s and Fitch Ratings issued press releases stating that as a result of the deterioration in Bear Stearns’ liquidity position, each had downgraded the long-term and short-term credit ratings of Bear Stearns to BBB/A-3, Baa1/P-2, and BBB/F3, respectively, and that each agency was continuing to review Bear Stearns’ ratings with consideration to further potential downgrades. These new ratings represented two to four notch downgrades from Bear Stearns’ ratings as of the prior day.

Throughout the day of Friday, March 14, 2008, Lazard also spoke with other parties regarding their potential interest in a strategic transaction with Bear Stearns. Bear Stearns prepared an electronic dataroom to permit potential bidders to conduct due diligence. Later in the afternoon and evening of March 14, 2008, a second interested party, Bidder A, conducted due diligence at Bear Stearns’ headquarters.

On Friday evening, Bear Stearns and JPMorgan were informed by the New York Fed that the New

GLASS LEWIS &Co.

York Fed-backed secured lending facility that had been entered into earlier that day would not be available on Monday morning. Also on Friday night, a senior official of the U.S. Treasury Department advised Bear Stearns that a stabilizing transaction needed to be accomplished by the end of the weekend. In light of this information and the actions of customers, counterparties, lenders and other market participants, Bear Stearns' senior management concluded that it would not be possible to open for business on Monday, March 17, 2008, without obtaining substantial alternative sources of funding and that Bear Stearns' only options were to consummate a transaction over the weekend or file for bankruptcy by Monday morning.

During the morning of March 16, 2008, representatives of JPMorgan informed Lazard that JPMorgan had concluded that it was not in a position to effect an acquisition of all of Bear Stearns because of the risks such a transaction would impose on JPMorgan. Representatives of JPMorgan similarly informed the U.S. Treasury and the New York Fed of its conclusions. The representatives of the U.S. Treasury and the New York Fed encouraged JPMorgan to continue to work towards a transaction. Notably, a team of Bear Stearns' legal and financial advisors also continued to analyze potential bankruptcy and/or liquidation scenarios throughout the day on March 16, 2008.

In the early evening on Sunday, March 16, 2008, JPMorgan and Bear Stearns entered into an agreement and plan of merger which offered a stock-for-stock merger at a fixed exchange ratio of 0.05473 shares of JPMorgan common stock for each share of Bear Stearns common stock, which reflected an implied value of $2.00 per share of Bear Stearns common stock. Additionally, JPMorgan would guaranty Bear Stearns' trading and certain other obligations, and the New York Fed would provide supplemental funding of up to $30 billion secured by a pool of collateral consisting primarily of mortgage-related securities and other mortgage-related assets and related hedges. Further, JPMorgan would also obtain an option to purchase Bear Stearns common stock in an amount representing 19.9% of the then outstanding shares and an option to purchase the Bear Stearns headquarters building, each upon the occurrence of certain events.

Notably, Bear Stearns and JPMorgan believed that execution of the initial merger agreement and the guaranty would stabilize Bear Stearns' liquidity position. However, following the announcement of the transaction on March 16, 2008, Bear Stearns' customers continued to withdraw funds, counterparties remained unwilling to make secured funding available to Bear Stearns on customary terms, and funding was not available. JPMorgan and Bear Stearns believed that the continued loss of customers and the continued unwillingness of counterparties to make secured funding available on customary terms was a result of, among other things, concerns that the merger would not be completed.

In view of the continuing loss of customers, the unavailability of funding and concerns that the merger would not be completed, on Tuesday, March 18, 2008, JPMorgan and its advisors began to engage Bear Stearns' legal advisors regarding proposed revisions to the terms of the merger and the related transactions.

On Friday, March 21, 2008, discussions continued between Bear Stearns and JPMorgan regarding the revised transaction terms proposed by JPMorgan. Representatives of JPMorgan informed Bear Stearns that during the week the New York Fed had repeatedly requested that JPMorgan guaranty Bear Stearns' borrowings from the New York Fed, and that JPMorgan was at this time unwilling to do so. Both parties perceived that the absence of JPMorgan's guaranty could place continued funding from the New York Fed in jeopardy. In addition to the New York Fed borrowings, JPMorgan also noted that it did not see how JPMorgan would be able to continue to extend credit to Bear Stearns or provide an enhanced

GLASS LEWIS &Co.

guaranty in the face of the market's concerns regarding Bear Stearns' viability and the risk that the merger might not be completed.

By the early morning on Monday, March 24, 2008, the parties had reached provisional agreement to recommend to their respective boards revised terms for the JPMorgan merger proposal and the terms and conditions of the related transaction documents, including among others:

- Increase in the merger consideration to 0.21753 of a share of JPMorgan common stock for each share of Bear Stearns common stock, reflecting an implied value of approximately $10 per share of Bear Stearns common stock based on the closing price of JPMorgan's common stock on March 20, 2008;

- clarification and enhancement of the terms of the guaranty by JPMorgan of Bear Stearns' trading and certain other obligations;

- guaranty by JPMorgan of Bear Stearns' borrowings from the New York Fed;

- a letter signed by each member of the board of directors of Bear Stearns indicating a current intent to vote the shares of Bear Stearns common stock held on the record date in favor of the merger;

- a revision to the option to purchase the Bear Stearns' headquarters building that would result in the option becoming exercisable if Bear Stearns' stockholders voted against the merger agreement (in addition to the existing exercise events);

- entry into a share exchange agreement providing for the issuance of 95,000,000 shares of Bear Stearns common stock, representing approximately 39.5% of Bear Stearns' common stock on a pro forma basis, in exchange for 20,665,350 shares of JPMorgan common stock and JPMorgan's issuance of the two guaranties; and

- entry into the Guarantee and Collateral Agreement.

JPMorgan and the New York Fed also continued their discussions regarding the New York Fed's special funding facility. As a result of these discussions, JPMorgan agreed to assume the first $1.0 billion of losses on the related collateral pool, with the New York Fed agreeing to provide $29.0 billion of funding on a non-recourse basis.

Share Exchange Agreement

In connection with the merger agreement, Bear Stearns and JPMorgan entered into a share exchange agreement pursuant to which Bear Stearns issued to JPMorgan, on April 8, 2008, 95.0 million shares of its common stock (approximately 39.5% of its outstanding common stock after giving effect to the issuance) in exchange for the issuance by JPMorgan to Bear Stearns of 20,665,350 shares of JPMorgan common stock (0.2175 per share exchange) and the entry by JPMorgan into an amendment to the initial merger agreement, the amended and restated guaranty agreement and the Federal Reserve Bank of New York guaranty.

While the rules of the NYSE generally require shareholder approval prior to the issuance of more than 20% of the outstanding shares of a listed company, the NYSE's Shareholder Approval Policy provides

an exception in cases where the delay involved in securing shareholder approval for the issuance would seriously jeopardize the financial viability of the listed company. In accordance with the NYSE rule providing that exception, the audit committee of Bear Stearns' board of directors expressly approved, and the full board of directors unanimously ratified, Bear Stearns' use of the exception. The NYSE accepted Bear Stearns' application of the exception.

In addition, on April 4, 2008, it was reported that JPMorgan had acquire an additional 11.5 million shares of Bear Stearns common stock through open market purchases. At that time, this purchase increased JPMorgan's interest in the Company to approximately 8.9% of the outstanding shares of the Company. The closing of the Share Exchange on April 8, 2008 increased JPMorgan's stake in Bear Stearns to approximately 49.5% of the outstanding shares of Bear Stearns.

Under the amended and restated guaranty agreement, JPMorgan agreed to guaranty liabilities of Bear Stearns and certain of its subsidiaries arising under revolving and term loans, contracts associated with Bear Stearns' trading business and obligations to deliver cash, securities or property to customers pursuant to customary custody arrangements. The guaranty was designed to address widespread counterparty concerns about risk in transactions with Bear Stearns and the board of directors believes this been essential in mitigating these concerns and aiding customer retention.

Also on March 24, 2008, JPMorgan entered into a separate undertaking under which it guaranteed the borrowings of Bear Stearns and its subsidiaries from the Federal Reserve Bank of New York in order to ensure continued access by Bear Stearns to the borrowings at the facility established by the Federal Reserve Bank of New York for primary dealers.

Operating Guaranty

JPMorgan also entered into an operating guaranty, under which JP Morgan will guaranty certain liabilities of Bear Stearns and certain of its operating subsidiaries arising before or during the Guaranty Period, including (1) all liabilities and obligations under revolving credit facilities, letters of credit and letter of credit facilities, term loan facilities, lines of credit or uncommitted loan facilities, in each case whether secured or unsecured, of the specified entities, (2) certain trading obligations of the specified entities, and (3) all obligations of the specified entities to deliver cash, securities or other property to customers pursuant to customary custody arrangements.

Fed Guaranty Agreement

JPMorgan also entered into the Fed Guaranty in favor of the New York Federal Reserve Bank ("New York Fed"), pursuant to which JPMorgan guarantied certain obligations of Bear Stearns and certain of its affiliates to the New York Fed. The Fed Guaranty will apply with respect to transactions entered into prior to the termination of the merger agreement and may be terminated by JPMorgan with respect to transactions thereafter. Under the merger agreement, JPMorgan has agreed to comply with the terms of the Fed Guaranty subject to the conditions set forth therein.

Guarantee and Collateral Agreement

In connection with the merger agreement and the operating guaranty, JPMorgan entered into a guarantee and collateral agreement with Bear Stearns and certain of its subsidiaries (referred to collectively as the "Collateral Parties"). Under this agreement, the Collateral Parties agreed to guarantee the obligations of each of them and of the other subsidiaries of Bear Stearns to repay to JPMorgan (1) any loans or other advances of credit by JPMorgan and its affiliates to Bear Stearns and its affiliates and (2) any amounts paid by JPMorgan to creditors of Bear Stearns and its affiliates under the operating guaranty and the Fed

guaranty.

Each of the Collateral Parties secured their guaranty by granting a lien on substantially all of their respective assets, subject to certain carveouts.

Asset Option

Under the merger agreement, Bear Stearns granted to JPMorgan an irrevocable option to acquire Bear Stearns' rights, title and interest (free and clear of all encumbrances) to its headquarters building located at 383 Madison Avenue, New York, New York for an amount in cash equal to $1.1 billion less any unpaid or unsatisfied indebtedness, encumbrance or liability and any reasonable transaction costs incurred by JPMorgan in completing such a transaction.

If Bear Stearns' stockholders do not approve and adopt the merger agreement at the first stockholders meeting called for that purpose, the option is exercisable by JPMorgan for 120 days following the stockholders meeting. The option is also exercisable by JPMorgan for six months following termination of the merger agreement under certain following circumstances, including among others, if JPMorgan terminates the merger agreement because, Bear Stearns' board made any change of recommendation or if Bear Stearns breached its obligations to hold a meeting of its stockholders to approve and adopt the merger agreement.

Required Vote

Approval of the merger agreement requires that Bear Stearns' common stockholders approve and adopt the merger agreement. In order for the merger to be approved, the holders of at least a majority of the shares of Bear Stearns common stock outstanding and entitled to vote thereon must vote in favor of approval and adoption of the merger agreement.

As of the record date for the special meeting, JPMorgan held approximately 49.43% of the shares of Bear Stearns common stock outstanding and entitled to vote on the merger. JPMorgan agreed in the merger agreement that it would vote all of such shares of Bear Stearns common stock in favor of the approval and adoption of the merger agreement.

As of the record date, directors and executive officers of Bear Stearns and their affiliates had the right to vote approximately 1.35% of the outstanding shares of Bear Stearns common stock entitled to be voted at the special meeting.

All of the members of the Bear Stearns board of directors have indicated their intention as of April 18, 2008 to vote the shares of Bear Stearns common stock they own as of the record date (if any) in favor of the approval and adoption of the merger agreement. As of the record date, the directors of Bear Stearns had the right to vote approximately 1.05% of the outstanding shares of Bear Stearns common stock at that date.

Bear Stearns shareholders do not have appraisal rights available to them in the merger agreement. Appraisal rights are statutory rights that, if applicable under law, enable stockholders to dissent from an extraordinary transaction, such as a merger, and demand that the corporation pay the fair value for their shares as determined by a court in a judicial proceeding instead of receiving the consideration offered to stockholders in connection with the extraordinary transaction.

Appraisal rights are not available in all circumstances, and exceptions to these rights are provided under the Delaware General Corporation Law. As a result of one of these exceptions, the holders of Bear

Stearns common stock are not entitled to dissenters' appraisal rights in the merger.

Litigation

Beginning March 17, 2008, various Bear Stearns stockholders filed several purported class action lawsuits against Bear Stearns, its board of directors and certain of Bear Stearns' present and former executive officers. Among other things, these actions allege that the individual defendants breached their fiduciary duties and obligations to Bear Stearns' stockholders by agreeing to the proposed merger.

Five of these actions have been filed and consolidated in the Supreme Court of the State of New York under the caption In re Bear Stearns Litigation. Two actions have been filed in the Delaware Court of Chancery and the Delaware plaintiffs filed a motion to consolidate their cases in Delaware, which motion was subsequently granted. JPMorgan is named as a defendant in certain of these cases.

In each of these actions, plaintiffs sought, among other things, to enjoin the proposed merger and enjoin JPMorgan from voting the 95 million shares acquired pursuant to the share exchange agreement. The plaintiffs also sought other injunctive relief and an unspecified amount of compensatory damages.

On April 9, 2008, the Delaware Chancery Court granted JPMorgan and Bear Stearns' motion to stay the Delaware action in favor of the New York action, at least until the preliminary injunction motion is resolved. Subsequently, the plaintiffs in the Delaware action intervened in the New York action and agreed to dismiss the Delaware action.

On April 24, 2008, plaintiffs in the New York action filed a second consolidated amended complaint. Also on April 24, 2008, plaintiffs in the New York action filed a motion seeking (1) a preliminary injunction enjoining Bear Stearns from treating as validly issued, for purposes of voting or exercising rights to consent, all shares of Bear Stearns issued to JPMorgan on or about April 8, 2008 pursuant to the share exchange agreement dated March 24, 2008 and (2) if the court enjoins the vote of such shares, requiring Bear Stearns to issue additional and supplemental disclosure prior to any stockholder vote on the merger, together with such other and further relief as the court deems just and proper.

Following the announcement of the merger, various Bear Stearns' stockholders filed purported class action lawsuits against Bear Stearns, members of Bear Stearns' executive committee and certain of Bear Stearns' present and former executive officers in federal court in the Southern District of New York.

The federal complaints allege various causes of action including violations of the federal securities laws and violations of the Employee Retirement Income Security Act ("ERISA"). In these cases, plaintiffs seek, among other things, an unspecified amount of compensatory damages and attorneys fees. Additionally, on April 10, 2008, an amended complaint was filed in a previously-filed shareholder derivative suit naming Bear Stearns' directors and certain present and former executive officers. This amended complaint seeks, among other things, a declaration that the merger agreement is unlawful and unenforceable.

JPMorgan and Bear Stearns and its directors each plan to defend themselves against the claims made in these lawsuits, which they believe to be without merit. Although Bear Stearns is unable to determine the ultimate outcome of these lawsuits, it notes that injunctive relief or an adverse determination could affect the Company's ability to complete the merger.

The Shareholder Forum

On May 15, 2008, the New York Society of Security Analysts ("NYSSA") hosted an open meeting of

the Shareholder Forum regarding the Bear Stearns transaction to discuss issues that may be considered by investors of Bear Stearns and JPMorgan.

In the forum, participants heard discussion from Wolf Haldenstein Adler Freeman & Herz ("Wolf Haldenstein"), a law firm designated as a liaison counsel for attorneys representing plaintiffs in shareholder lawsuits that have been consolidated in the New York State court. Wolf Haldenstein believes that the proposed merger was not properly negotiated and that Bear Stearns shareholders should be compensated based on a court-established value rather than the proposed consideration.

The firm believes that it is not practical to try to block the proposed transaction considering JPMorgan's interest in Bear Stearns. However, it notes that the objective of its litigation is to achieve higher payment for Bear Stearns shareholders. Accordingly, the firm believes that a high level of minority shareholder opposition to the agreement could signal to a judge that investors believe they are being treated unfairly.

In addition, forum participants discussed the idea of developing an optional merger transaction which could possibly be presented to JPMorgan for its consideration. We are not aware of any such alternative proposed by any shareholder at this time.

Glass Lewis' Analysis

In our opinion, to evaluate the proposed merger agreement using our standard methodology would prove difficult. This is obviously a unique situation. First, the size and scope of such a transaction should not be underestimated considering that JPMorgan, or any other financial institution for that matter, would have been unlikely to facilitate such a transaction on its own in such a short time frame. As such, we see the unprecedented involvement and support of the Federal Reserve and the Treasury in the sale process.

As noted in the proxy, there was significant influence from government agencies to complete a transaction in order to avoid a broader market impact. Bear Stearns faced severe liquidity concerns during the weekend of March 14, 2008 and a very real possibility of bankruptcy in the absence of a negotiated agreement. The Bear Stearns' board of directors was thrust into an unenviable position of negotiating a rescue of the Company or choosing to liquidate the business in just four days time. Considering the alternative, the positive equity value offered here appears to be beneficial for shareholders.

It should be noted that at the time the Bear Stearns board evaluated each of the proposed agreements, there was likely no option for the Company other than bankruptcy. In the absence of the agreement, the Company would have been unable to open for business. While the fairness opinion does not include a formal liquidation valuation for the board (time constraints) the financial advisor and board of directors assumed that under such a scenario, Bear Stearns' shareholders would have received no value in exchange for their shares. At best, it would have been years before any bankruptcy settlement was paid to the equity holders. Accordingly, it is understandable how the proposed agreement appeared to be the best alternative for shareholders by the board.

We note that JPMorgan has all but locked up the acquisition. Though certain shareholders may seek investor support to solicit JPMorgan to renegotiate the agreement, it is hard to believe that this would happen. JPMorgan has no reason to offer a greater consideration at this point. While some shareholders may believe that voting against the transaction at this point could send a message to the courts

regarding shareholder unhappiness, we note that without the original agreement, these shareholders would have had no proposal to vote upon. Bear Stearns would likely be in bankruptcy. Furthermore, there is a greater level of uncertainty regarding the court's willingness to rule against Bear Stearns and JPMorgan considering the involvement of the Federal Reserve and Treasury in the transaction, in our opinion.

It should also be noted that there has been no formal alternative presented to JPMorgan by any Bear Stearns shareholder. As such, we do not believe that there is a valid alternative at this time. Voting against the agreement in hopes of 'sending a message' to the courts to force damage payments might seem like a free option on any potential damages. Nonetheless, there are no guarantees in such a process and it would likely take years to come to fruition.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

Proposal 2.00: Right to Adjourn Meeting

FOR

This proposal seeks shareholder approval to adjourn the special meeting if there are not sufficient votes for a quorum, in order to provide additional time to solicit proxies.

Glass Lewis' Analysis

A majority of all of the shares of common stock entitled to vote will constitute a quorum for the transaction of business at the special meeting. In order for Proposal 1 to be approved, the number of votes cast in favor of the proposal must exceed the number of votes cast against the proposal. Glass Lewis believes that Proposal 1 to approve the agreement is in the best interests of shareholders.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

Disclosure

This proxy analysis is confidential and may not be reproduced in any manner without the written permission of Glass, Lewis & Co. This analysis is not intended to solicit proxies and has not been submitted to the Securities and Exchange Commission for approval. No warranty is made as to the completeness, accuracy or utility of this analysis. This analysis does not constitute investment advice and investors should not rely on it for investment or other purposes.

Glass Lewis does not provide consulting services to issuers. Some institutional investor affiliates of issuers have purchased a subscription to Glass Lewis' services, which is disclosed on the relevant Proxy Paper. In addition, advisors to issuers (such as law firms, accounting firms, ratings agencies and others) may subscribe to Glass Lewis' services. Glass Lewis does not discuss individual Proxy Papers with any entity prior to publication.