

5. Mr. Spector was responsible for overseeing marketing and management of Bear Stearns High-Grade Structured Credit Strategies, ■■■. (“High-Grade Fund”) and Bear Stearns High-Grade Structured Credit Enhanced Leverage Fund, ■■■. (“Enhanced Fund”).

6. Mr. Spector’s responsibilities also included ensuring that the High-Grade and Enhanced Funds were using proper valuation techniques and were managing their risk by prudently hedging.

7. Mr. Spector continually reassured me that the High-Grade Fund and subsequently the Enhanced Fund were using proper valuation and risk management techniques.

8. During 2006, the managers of the High-Grade Fund came up with the idea to create the Enhanced Fund, which would utilize the same strategy as the High-Grade Fund only with leverage.

9. In order to make the Enhanced Fund viable, investors in the High-Grade Fund had to be convinced to roll-over their investments into the Enhanced Fund. Mr. Spector was charged with contacting key investors, such as Mr. Epstein.

10. Mr. Spector’s compensation was tied in part to the performance of the asset management division, so Mr. Spector was interested keenly in the performance of the High-Grade and Enhanced Funds.

11. In the aftermath of the collapse of the Funds, I have learned much about Mr. Spector’s performance and honesty that caused me great concern and contributed in part to my forcing Mr. Spector to resign.

12. Soon after the Funds began collapsing, I discovered that Mr. Spector had caused The Bear Stearns Companies to invest \$25 million of its own capital into the Enhanced Fund. This investment was not approved by me or the Board. I believe that Mr. Spector did this in a

desperate effort to shore up the Enhanced Fund because Mr. Spector knew that if the Fund collapsed his mismanagement and dishonesty would come to light.

13. In the aftermath of the Funds' collapse, I learned that the High-Grade Fund, under Mr. Spector's watch, routinely purchased CDOs and CDO²s at artificially inflated prices. This practice was continued by the Enhanced Fund, only the result was magnified because of the increased leverage.

14. In the aftermath of the Funds' collapse, I also learned that High-Grade Fund was experiencing a significant liquidity problem in the Summer and Fall of 2006 and that this liquidity problem was one of the main reason for the creation of the Enhanced Fund. Mr. Spector was aware of this problem, yet never insisted that the Funds' managers reveal this information to investors nor did Mr. Spector reveal it to investors directly.

15. In the aftermath of the Funds' collapse, I also learned that The High-Grade Fund repeatedly bought and sold CDOs and CDO²s in transactions with Bear Stearns, itself. These transactions were done without getting approval from the Fund's "independent directors," as required by the Fund's governance documents and by internal Bear Stearns rules. Eventually, our internal compliance department put an end to this practice by declaring a moratorium on such trades. This moratorium however contributed to the Fund's liquidity problems because it eliminated a large trading partner—although apparently the Fund's management disobeyed this directive at times. Mr. Spector ultimately was responsible for this failure to observe proper procedures and the failure to inform investors of this development.

James Cayne

Sworn to before me this ____ day of _____, 2010.

(Seal)

Notary Public in and for
THE STATE OF NEW YORK