

**BEAR STEARNS
HIGH-GRADE STRUCTURED CREDIT STRATEGIES
ENHANCED LEVERAGE FUND, L.P.**

(FOR USE BY INVESTORS IN BEAR STEARNS HIGH-GRADE STRUCTURED CREDIT STRATEGIES FUND, L.P., THAT WISH TO EXCHANGE ALL OR A PORTION OF THEIR INTEREST THEREIN FOR AN INTEREST IN THE PARTNERSHIP)

SUBSCRIPTION AGREEMENT

for

Limited Partnership Interests

BEAR STEARNS ASSET MANAGEMENT INC.

General Partner

383 Madison Avenue

New York, New York 10179

Attention: Alternative Fund Services

Telephone: 212-272-1630

Facsimile: 917-849-3018

#9

The Investor hereby agrees as follows:

I. SUBSCRIPTION FOR AN INTEREST

<p>Subscription Amount:</p> <p>Please specify whether you wish to request the withdrawal of all or a portion of your interest in the High-Grade Fund as of the Transaction Effective Date (as defined in the Interest Exchange Agreement) and to contribute the proceeds of such withdrawal to the Partnership as of the Transaction Effective Date in <u>exchange</u> for an Interest in the Partnership having a value equal to the value of the withdrawn portion of your interest in the High-Grade Fund immediately prior to the effectiveness of such withdrawal.</p>	<p>ALL or ____ %</p> <p>All</p>
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(A) The Partnership will offer Interests generally as of the opening of business of the first Business Day of each month (each, a "Subscription Date"). The Investor agrees to become a limited partner in the Partnership (as so admitted, hereinafter sometimes individually referred to as a "Limited Partner" and collectively with the other limited partners as the "Limited Partners"), and in connection therewith subscribes for and agrees to make a capital contribution to the Partnership in the amount set forth on page 4 hereof, on the terms and conditions described herein and in the Interest Exchange Agreement attached as Appendix II to this Subscription Agreement (the "Interest Exchange Agreement"), and in the Memorandum, and the Partnership's Limited Partnership Agreement (collectively, the "Partnership's Documents").

(B) The Investor acknowledges and agrees that it is not entitled to cancel, terminate, or revoke this subscription, power of attorney, or any agreements of the Investor hereunder, except as otherwise set forth in (i) the Memorandum or (ii) applicable law, and such subscription and agreements and power of attorney shall survive changes in the transaction, documents, and instruments described in the Memorandum.

(C) The Investor hereby irrevocably constitutes and appoints Bear Stearns Asset Management Inc. or its designee (and any substitute or successor general partner(s) of the Partnership) (the "General Partner") as its true and lawful attorney in its name, place, and stead, (i) to arrange for payment to the Partnership on behalf of the Investor, to the extent set forth in this Subscription Agreement, all funds received hereunder, (ii) to complete or correct, on behalf of the Investor, all documents to be executed by the Investor in connection with the Investor's subscription for an Interest, including, without limitation, filling in or amending amounts, dates, and other pertinent information, (iii) as applicable, to execute, acknowledge, swear to, and file: (a) any counterparts of the Partnership's Limited Partnership Agreement (the "Limited Partnership Agreement") to be entered into pursuant to this Agreement and any amendments to the Limited Partnership Agreement, (b) any agreements or other documents relating to the obligations of the Partnership as described in the Partnership's Documents, (c) any certificates of limited partnership required by law and all amendments thereto, (d) all certificates and other instruments necessary to qualify, or continue the qualification of, the Partnership in the states where it may be doing business, (e) all assignments, conveyances, or other instruments or documents necessary to effect the dissolution of the Partnership, (f) all other filings with agencies of the federal government, of any state or local government, or of any other jurisdiction, which the General Partner considers necessary or desirable to carry out the purposes of this Agreement, the Limited Partnership Agreement, and the business of the Partnership, and (iv) to file, prosecute, defend, settle, or compromise litigation claims or arbitrations on behalf of the Partnership (other than proceedings in which the Partnership and the General Partner are adversaries). This power of attorney shall be deemed coupled with an interest, shall be irrevocable, and shall survive the transfer of the Investor's Interest.

(D) The Investor agrees that as of the date of the acceptance of this subscription and the Investor's Subscription Amount by the General Partner, the Investor shall become a Limited Partner of the Partnership, and it hereby agrees to each and every term of the Limited Partnership Agreement, as if the Investor's signature were subscribed thereto, and of the Memorandum. By execution of this Subscription Agreement, the Investor agrees that it shall be deemed to have executed the Limited Partnership Agreement.

1963, of a corporation which was a foreign personal holding company for its most recent taxable year ending before the date of the decedent's death shall be increased by its proportionate share of any Federal estate tax attributable to the net appreciation in value of all of such shares and securities determined as provided in this section.

(b) Proportionate share.

For purposes of subsection (a), the proportionate share of a share of stock or of a security is that amount which bears the same ratio to the aggregate increase determined under subsection (c)(2) as the appreciation in value of such share or security bears to the aggregate appreciation in value of all such shares and securities having appreciation in value.

(c) Special rules and definitions.

For purposes of this section—

(1) Federal estate tax. The term "Federal estate tax" means only the tax imposed by section 2001 or 2101, reduced by any credit allowable with respect to a tax on prior transfers by section 2013 or 2102.

(2) Federal estate tax attributable to net appreciation in value. The Federal estate tax attributable to the net appreciation in value of all shares of stock and securities to which subsection (a) applies is that amount which bears the same ratio to the Federal estate tax as the net appreciation in value of all of such shares and securities bears to the value of the gross estate as determined under chapter 11 (including section 2032, relating to alternate valuation).

(3) Net appreciation. The net appreciation in value of all shares and securities to which subsection (a) applies is the amount by which the fair market value of all such shares and securities exceeds the adjusted basis of such property in the hands of the decedent.

(4) Fair market value. For purposes of this section, the term "fair market value" means fair market value determined under chapter 11 (including section 2032, relating to alternate valuation).

(d) Limitations.

This section shall not apply to any foreign personal holding company referred to in section 342(a)(2).

In 1964, P.L. 88-272, Sec. 225(j), added Code Sec. 1022, effective for decedents dying after 12/31/63.

In 1964, redesignated Code Sec. 1022 as Code Sec. 1023.

PART III.—COMMON NONTAXABLE EXCHANGES
Sec.

- 1031. Exchange of property held for productive use or investment.
- 1032. Exchange of stock for property.
- 1033. Involuntary conversions.
- 1034. Repealed.
- 1035. Certain exchanges of insurance policies.
- 1036. Stock for stock of same corporation.
- 1037. Certain exchanges of United States obligations.
- 1038. Certain reacquisitions of real property.
- 1039. Repealed.
- 1040. Transfer of certain farm, etc., real property [effective before 1/1/2010].
- 1040. Use of appreciated carryover basis property to satisfy pecuniary bequest [effective after 12/31/2009].
- 1041. Transfers of property between spouses or incident to divorce.
- 1042. Sales of stock to employee stock ownership plans or certain cooperatives.
- 1043. Sale of property to comply with conflict-of-interest requirements.
- 1044. Rollover of publicly traded securities gain into specialized small business investment companies.
- 1045. Rollover of gain from qualified small business stock to another qualified small business stock.

Sec. 1023. Cross references.

(1) For certain distributions by a corporation which are applied in reduction of basis of stock, see section 301(c)(2).

(2) For basis in case of construction of new vessels, see chapter 533 of title 46, United States Code.

In 2006, P.L. 109-304, Sec. 17(e)(4), substituted "chapter 533 of title 46, United States Code" for "section 511 of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1161)" in para. (2), enacted 10/6/2006.

In 1980, P.L. 96-589, Sec. 6(j)(4), deleted para. (2) and redesignated para. (3) as para. (2), effective 10/1/79, except for any proceeding under the Bankruptcy Act begun before 10/1/79. Sec. 7(g) of this Act provides:

(g) Definitions.

For purposes of this section—

(1) Bankruptcy case. The term "bankruptcy case" means any case under title 11 of the United States Code (as recodified by P.L. 95-598).

(2) Similar judicial proceeding. The term "similar judicial proceeding" means a receivership, foreclosure, or similar proceeding in a Federal or State court (as modified by section 368(a)(3)(D) of the Internal Revenue Code of 1954).

Prior to deletion para. (2) read as follows:

"(2) For basis of property in case of certain reorganizations and arrangements under the Bankruptcy Act, see sections 270, 396, and 522 of that Act, as amended (11 U.S.C. 670, 796, 922)."

—P.L. 96-223, Sec. 401(a), repealed Sec. 2005(a)(2) of P.L. 94-455 and the amendment made by Sec. 2005(a)(2), effective for decedents dying after '76 [see below]. Sec. 401(b) of P.L. 96-223 provides as follows:

(b) Revival of prior law.

"Except to the extent necessary to carry out subsection (d), the Internal Revenue Code of 1954 shall be applied and administered as if the provisions repealed by subsection (a), and the amendments made by those provisions, had not been enacted."

In 1976, P.L. 94-455, Sec. 1901(a)(127), deleted para. (4), effective for tax yrs. begin. after '76.

Prior to deletion, para. (4) read as follows:

"(4) For rules applicable in case of payments in violation of Defense Production Act of 1950, as amended see section 405 of that Act.

—P.L. 94-455, Sec. 2005(a)(2), redesignated Code Sec. 1023 as Code Sec. 1024 and added new Code Sec. 1023, but Sec. 2005(a)(2) was repealed by Sec. 401(a) of P.L. 96-223 [see above]. For Code Sec. 1023 added by Sec. 2005(a)(2) see note for Sec. 401(d) of P.L. 96-223 following Code Sec. 1014

In 2001, P.L. 107-16, Sec. 542(d)(2), amended item 1040.

Prior to amendment, item 1040 read as follows:

"1040. Transfer of certain farm, etc., real property."

In 1997, P.L. 105-34, Sec. 312(d)(15), deleted item 1034 ... Sec. 313(b)(3), added item 1045.

In 1993, P.L. 103-66, Sec. 13114(c), added item 1044.

In 1990, P.L. 101-508, Sec. 11801(b)(8), deleted item 1039.

Prior to deletion, item 1039 read as follows:

"1039. Certain sales of low-income housing projects."

In 1989, P.L. 101-194, Sec. 502(b)(3), added item 1043.

In 1986, P.L. 99-514, Sec. 1854(a)(12), amended item 1042.

Prior to amendment, item 1042 read as follows:

"1042. Sales of stock to stock ownership plans or certain cooperatives."

In 1984, P.L. 98-369, Sec. 421(c), added item 1041 ... Sec. 541(a), added item 1042.

In 1981, P.L. 97-34, Sec. 421(j)(2)(C), amended item 1040.

Prior to amendment, item 1040 read as follows:

"1040. Use of farm, etc., real property to satisfy pecuniary bequest."

In 1980, P.L. 96-223, Sec. 401(c)(2)(B), revised Table, part III, Subch O, ch. 1 to read "Sec. 1040. Use of farm, etc., real property to satisfy pecuniary bequest.", in respect of decedents dying after 12/31/76.

Prior to revision the table read as follows:

"1040. Use of certain appreciated carryover basis property to satisfy pecuniary request."

In 1978, P.L. 95-600, Sec. 405(c)(2), amended item 1034.

Prior to amendment item 1034 read as follows:

"Sale or exchange of residence."

In 1976, P.L. 94-455, Sec. 2005(e)(2), added item 1040.

In 1969, P.L. 91-172, Sec. 910(c), added item 1039.

In 1964, inserted item 1038.

In 1959, added item 1037.

Sec. 1031. Exchange of property held for productive use or investment.

(a) Nonrecognition of gain or loss from exchanges solely in kind.

(1) In general. No gain or loss shall be recognized on the exchange of property held for productive use in a trade or business or for investment if such property is exchanged

solely for property of like kind which is to be held either for productive use in a trade or business or for investment.

(2) **Exception.** This subsection shall not apply to any exchange of—

- (A) stock in trade or other property held primarily for sale,
- (B) stocks, bonds, or notes,
- (C) other securities or evidences of indebtedness or interest,
- (D) interests in a partnership,
- (E) certificates of trust or beneficial interests, or
- (F) choses in action.

For purposes of this section, an interest in a partnership which has in effect a valid election under section 761(a) to be excluded from the application of all of subchapter K shall be treated as an interest in each of the assets of such partnership and not as an interest in a partnership.

(3) **Requirement that property be identified and that exchange be completed not more than 180 days after transfer of exchanged property.** For purposes of this subsection, any property received by the taxpayer shall be treated as property which is not like-kind property if—

- (A) such property is not identified as property to be received in the exchange on or before the day which is 45 days after the date on which the taxpayer transfers the property relinquished in the exchange, or
- (B) such property is received after the earlier of—
 - (i) the day which is 180 days after the date on which the taxpayer transfers the property relinquished in the exchange, or
 - (ii) the due date (determined with regard to extension) for the transferor's return of the tax imposed by this chapter for the taxable year in which the transfer of the relinquished property occurs.

(b) Gain from exchanges not solely in kind.

If an exchange would be within the provisions of subsection (a), of section 1035(a), of section 1036(a), or of section 1037(a), if it were not for the fact that the property received in exchange consists not only of property permitted by such provisions to be received without the recognition of gain, but also of other property or money, then the gain, if any, to the recipient shall be recognized, but in an amount not in excess of the sum of such money and the fair market value of such other property.

(c) Loss from exchanges not solely in kind.

If an exchange would be within the provisions of subsection (a), of section 1035(a), of section 1036(a), or of section 1037(a), if it were not for the fact that the property received in exchange consists not only of property permitted by such provisions to be received without the recognition of gain or loss, but also of other property or money, then no loss from the exchange shall be recognized.

(d) Basis.

If property was acquired on an exchange described in this section, section 1035(a), section 1036(a), or section 1037(a), then the basis shall be the same as that of the property exchanged, decreased in the amount of any money received by the taxpayer and increased in the amount of gain or decreased in the amount of loss to the taxpayer that was recognized on such exchange. If the property so acquired consisted in part of the type of property permitted by this section, section 1035(a), section 1036(a), or section 1037(a), to be received without the recognition of gain or loss, and in part of other property, the basis provided in this subsection shall be allocated between the properties (other than money)

received, and for the purpose of the allocation there shall be assigned to such other property an amount equivalent to its fair market value at the date of the exchange. For purposes of this section, section 1035(a), and section 1036(a), where as part of the consideration to the taxpayer another party to the exchange assumed (as determined under section 357(d)) a liability of the taxpayer, such assumption shall be considered as money received by the taxpayer on the exchange.

(e) Exchanges of livestock of different sexes.

For purposes of this section, livestock of different sexes are not property of a like kind.

(f) Special rules for exchanges between related persons.

(1) In general. If—

- (A) a taxpayer exchanges property with a related person,
- (B) there is nonrecognition of gain or loss to the taxpayer under this section with respect to the exchange of such property (determined without regard to this subsection), and
- (C) before the date 2 years after the date of the last transfer which was part of such exchange—
 - (i) the related person disposes of such property, or
 - (ii) the taxpayer disposes of the property received in the exchange from the related person which was of like kind to the property transferred by the taxpayer,

there shall be no nonrecognition of gain or loss under this section to the taxpayer with respect to such exchange; except that any gain or loss recognized by the taxpayer by reason of this subsection shall be taken into account as of the date on which the disposition referred to in subparagraph (C) occurs.

(2) Certain dispositions not taken into account. For purposes of paragraph (1)(C), there shall not be taken into account any disposition—

- (A) after the earlier of the death of the taxpayer or the death of the related person,
- (B) in a compulsory or involuntary conversion (within the meaning of section 1033) if the exchange occurred before the threat or imminence of such conversion, or
- (C) with respect to which it is established to the satisfaction of the Secretary that neither the exchange nor such disposition had as one of its principal purposes the avoidance of Federal income tax.

(3) Related person. For purposes of this subsection, the term "related person" means any person bearing a relationship to the taxpayer described in section 267(b) or 707(b)(1).

(4) Treatment of certain transactions. This section shall not apply to any exchange which is part of a transaction (or series of transactions) structured to avoid the purposes of this subsection.

(g) Special rule where substantial diminution of risk.

(1) In general. If paragraph (2) applies to any property for any period, the running of the period set forth in subsection (f)(1)(C) with respect to such property shall be suspended during such period.

(2) Property to which subsection applies. This paragraph shall apply to any property for any period during which the holder's risk of loss with respect to the property is substantially diminished by—

- (A) the holding of a put with respect to such property,
- (B) the holding by another person of a right to acquire such property, or
- (C) a short sale or any other transaction.