

TIMELINE REGARDING
THE BEAR STEARNS COMPANIES INC.

April 3, 2008

The following timeline highlights certain significant events between August 2007 and March 13, 2008. Please note that Routine supervisory interactions involving Commission staff and Bear Stearns are not described below.

Friday, August 3, 2007

Standard and Poor's Rating Services, citing questions about the business model and risk management, affirms Bear Stearns' A+/A-1 issuer credit rating but places the firm on "negative outlook".

Sunday, August 5, 2007

Commission staff meet with Bear Stearns senior management and other staff to review the liquidity and capital position of the firm. *Spector resigns.*

Monday, August 6, 2007

Commission staff institute daily monitoring of Bear Stearns' liquidity position, in particular the level of holding company cash. The firm states that it is implementing plans to increase reliance on secured funding and decrease reliance on short term unsecured funding. Generally, the overall liquidity position of the firm remains relatively stable.

Thursday, September 20, 2007

Bear Stearns reports third quarter earnings. Third quarter net income is \$171 million on net revenue of \$1,331 million, compared with net income of \$362 million on net revenue of \$2,512 for the second quarter, and compared with net income of \$437 on net revenue of \$2,129 for the third quarter of 2006.

Thursday, September 27, 2007

Bear Stearns issues \$2.5 billion in unsecured 10-year notes. Commission staff reduces the frequency of the liquidity monitoring to weekly from daily. The liquidity position of the firm remains stable.

Thursday, December 20, 2007

Bear Stearns announces a net loss for the fourth quarter of \$854 million and that net revenues were a loss of \$379 million. Commission staff review Bear Stearns' liquidity position intraweek, but there is no evidence of any deterioration in the firm's liquidity

- 1st Quarterly loss in its history

position following the release and related negative press coverage. Bear Stearns' liquidity pool remains stable.

Jan 8th - Coyne resigns

Monday, January 28, 2008

Commission staff meet with Bear Stearns' senior management to discuss the financial situation of the firm. Senior management indicates that important investors remain confident in Bear Stearns and that the firm was profitable during December and January to date, following a very difficult November for all investment banks.

Tuesday, January 29, 2008

Bear Stearns issues \$3 billion in unsecured 10-year debt.

Wednesday, January 30, 2008

Commission staff receives notification from Bear Stearns senior management that the liquidity position of Bear Stearns had declined significantly due, in large part to increased trading activity. Senior management explained steps that would be taken to ensure that trading activities would not result in such drains on holding company liquidity in the future. Commission staff resumed daily monitoring of Bear Stearns' liquidity position.

Thursday, January 31, 2008

Bear Stearns' liquidity pool is \$8.4 billion

Wednesday, February 6, 2008

Commission staff reviews secured funding lines in detail in response to rumors that Bear Stearns may have lost some secured funding lines in Europe. The firm reports that secured funding lines actually had increased. Inventory had also increased due to increases in window-eligible agency securities. Bear Stearns' liquidity pool is \$17 billion.

Week of March 3, 2008

Commission staff conducts an on-site inspection focused on Bear Stearns' liquidity pool to verify the size and the instruments it included in the pool. No significant issues are identified. Bear Stearns' liquidity pool ranges from \$18 billion to \$20.1 billion.

Monday, March 10, 2008

The value of Bear Stearns' stock falls significantly during the day. Commission staff speak with Bear Stearns' senior management to verify that there was no material change in financial condition. Senior management previewed first quarter earnings, stating that

net income would be positive. The staff arranged an on-site visit for Tuesday, March 18, to review the first quarter financials in greater detail.

Although there had been earlier discussions among regulators at the staff level, beginning Monday, March 10th and continuing to date, Commission staff have had numerous phone calls and emails each day with staff from other regulators, including UK Financial Services Authority and the Federal Reserve Bank of New York, regarding Bear Stearns.

Approximately \$2.5 billion of customer free credit balances is withdrawn from Bear Stearns. Bear Stearns' liquidity pool remains at approximately \$18.1 billion (\$15.1 billion adjusted for customer protection rule).

Tuesday, March 11, 2008

CEO Alan Schwartz previews first quarter earnings on CNBC before the market open.

The Commission staff hear that a number of counterparties seek to reduce their exposure to Bear Stearns by "novating" over-the-counter derivatives trades to other dealers. Commission staff hear from other regulators and other dealers that challenges associated with the high volume of novations were resulting in rumors regarding Bear Stearns' financial and operational condition.

The Federal Reserve Bank of New York announces a Term Securities Lending Facility ("TSLF") that would become available on March 27. Under this program, primary dealers, including investment banks, could exchange certain less liquid collateral, including certain mortgage-backed securities, for more liquid collateral.

\$2.5 billion of customer free credit balances is withdrawn from Bear Stearns. Bear Stearns reports that certain secured and unsecured lenders indicate that they may not be able to continue funding the firm. Bear Stearns' liquidity pool falls to approximately \$11.5 billion (\$15.8 billion adjusted for customer protection rule).

Wednesday, March 12, 2008

-Schwartz on CNBC to dispell rumors

Bear Stearns senior management become increasingly concerned about novations, and resulting operational issues leading to rumors about Bear Stearns' liquidity and financial capacity. Senior management inform the Commission staff that they intends to raise the novation issue with senior management at the Federal Reserve Bank of New York and with the CEOs of other major dealer firms.

Bear Stearns adopts a "pay first, ask questions later" policy with respect to margin disputes in an effort to help quell rumors about Bear Stearns' financial capacity. Under this policy, the firm makes approximately \$1.1 billion in margin calls that it believes are not warranted.

Bear Stearns computes its liquidity pool to be approximately \$12.4 billion. Bear Stearns picks up an additional \$1.4 billion of secured funding on Wednesday; however, several key providers of secured funding tell the firm that they might not be able to continue to transact with Bear.

Thursday, March 13, 2008

In the morning, Commission staff learns that Bear Stearns' senior management approached the Federal Reserve Bank of New York the night before about options should secured funding counterparties pull away. Commission staff discuss with Bear Stearns its funding situation. The firm reports that some funding has already rolled but it is already clear that not all funding will not roll.

In mid-afternoon, Commission staff participate in a call with U.S. Treasury and Federal Reserve Bank of New York staff to discuss the firm's financial position.

Late afternoon, Commission staff speak with Bear Stearns senior management to preview the end-of-day cash position. Bear Stearns management indicate that, as of that time, \$1.5 billion of free credits have been withdrawn and that the picture on secured funding is still unclear, although it appears most secured funding either remains in place or has been replaced.

At 7:00 pm, Commission staff holds an end-of-day call with Bear Stearns senior management who indicates that Bear Stearns liquidity pool has fallen to \$2 billion. They indicate that they would try to tap some bank lines and arrange same-day settlement on certain asset sales.

At 7:30 p.m., Commission staff begin a conversation with U.S. Treasury and Federal Reserve Bank of New York staff. Shortly after the conversation starts, Bear Stearns senior management telephone Commission staff to say that the firm's senior management has concluded that they are unable to operate normally on Friday.

Friday, March 14, 2008

Commission staff participates in numerous telephone calls beginning prior to the opening of U.S. markets with staff of other regulators including the Federal Reserve Board in Washington, DC and New York, and U.S. Treasury. In particular, Commission staff coordinates with staff of from the Federal Reserve Bank of New York to review the financial position of Bear Stearns and meet with relevant staff throughout the weekend both at Bear Stearns' offices in New York and at the offices of the Federal Reserve Bank of New York.

Saturday and Sunday, March 15-16, 2008

Commission staff continues its onsite work at Bear Stearns and at the offices of the Federal Reserve Bank of New York with respect to Bear Stearns' financial position and

alternative scenarios for Monday in the event Bear Stearns seeks bankruptcy protection. Commission staff also meets with the other four CSE firms to discuss their financial position and funding scenarios in light of the events that occurred with respect to Bear Stearns.

The Federal Reserve Bank of New York announces the creation of the Primary Dealer Credit Facility (PDCF). The PDCF is an overnight loan facility that will provide funding to primary dealers in exchange for a specified range of eligible collateral and is intended to foster the functioning of financial markets more generally.