

Dear Client of Bear, Stearns & Co. Inc.

Let me take this opportunity to provide you with an update on the status of the High-Grade Structured Credit Strategies and High-Grade Structured Credit Strategies Enhanced Leveraged Funds managed by Bear Stearns Asset Management. A team at BSAM has been working diligently to calculate the 2007 month-end performance for both May and June for the Funds. This process has been much more time-consuming than in prior months due to increasingly difficult market conditions.

As you know, in early June, the Funds were faced with investor redemption requests and margin calls that they were unable to meet. The Funds sold assets in an attempt to raise liquidity, but were unable to generate sufficient cash to meet the outstanding margin obligations. As a result, counterparties moved to seize collateral or otherwise terminate financing arrangements they had with the Funds. During June, the Funds experienced significant declines in the value of their assets resulting in losses of net asset value. The Funds' reported performance, in part, reflects the unprecedented declines in the valuations of a number of highly-rated (AA and AAA) securities.

Fund managers and account executives have been informing the Funds' investors of the significant deterioration in performance for May and June. The preliminary estimates show there is effectively no value left for the investors in the Enhanced Leverage Fund and very little value left for the investors in the High-Grade Fund as of June 30, 2007. In light of these returns, we will seek an orderly wind-down of the Funds over time. This is a difficult development for investors in these Funds and it is certainly uncharacteristic of BSAM's overall strong record of performance.

Bear Stearns has been working to achieve the best possible outcome for investors under these circumstances. On June 26<sup>th</sup>, Bear Stearns committed \$1.6 billion in a collateralized repo line to the High-Grade Fund. At this time, approximately \$1.4 billion remains outstanding on this line and we continue to believe there are sufficient assets available in the High-Grade Fund to fully collateralize the repo facility.

In the past weeks, Bear Stearns has taken action to restore investor confidence in BSAM. On June 29<sup>th</sup>, we announced that Jeff Lane was appointed chairman and chief executive officer of BSAM. Tom Marano, head of Bear Stearns' mortgage department, has been assigned to BSAM to aid in achieving orderly sales of the Funds' assets. The risk management function at BSAM has been restructured so that it will now report up to Mike Alix, Bear Stearns' chief risk officer, creating an additional layer of oversight. Mike Winchell, former head of risk management for Bear Stearns and most recently with Bear Wagner, has been engaged to consult with BSAM with regard to its hedge fund risk management function.

Throughout this time, we have appreciated the support of our loyal client base and we will work to continue to provide you with the high quality products and services you have come to expect from Bear Stearns. Let us take this opportunity to reconfirm that the Bear Stearns franchise is financially strong and committed to meeting your investment needs.

Our highest priority is to continue to earn your trust and confidence each and every day, consistent with the Firm's proud history of achievement. As always, please contact us if we can be of service.