



Bear Stearns
Asset Management Inc.
237 Park Avenue
New York, NY 10017
www.bsamonline.com

Jeffrey B. Lane
Chairman & CEO
Tel 212-272-7751
Fax 917-937-5296
jlane@bear.com

Dear Valued Client:

The history of our firm is one of caring for and doing right by our clients. We understand that your investment with Bear Stearns Asset Management (BSAM) is a reflection of your confidence that our investment officers and portfolio managers are exercising wise judgment to protect and grow the assets you have entrusted to us. We appreciate that confidence and want to assure you that we are doing our utmost to maintain your trust even as we navigate market conditions that have proven to be challenging.

When I recently chose to join Bear Stearns to lead the outstanding BSAM team, I did so because of my great respect for the professionals here and their high level of market insight and record of achievement. I believe in our people, and we will be there for you as the markets weather the current storm. In recent days, we have been carefully reviewing every aspect of all of our strategies to ensure that we are maintaining adequate capital levels and managing risk to take advantage of buying opportunities we see arising from skittish markets, but most importantly, to your investments.

Regarding the specifics of how we are managing your assets, our portfolio managers and sales staff are committed to responding to any of your individual questions and will be reaching out to you by various means to be as accessible as possible. You should feel free to call them as well.

As to the three funds that have made news recently, let me explain to you the actions that have been taken and the rationale behind them. First, the High Grade and Enhanced Leveraged funds began bankruptcy proceedings, yesterday in New York and the Cayman Islands. This was an expected step in the wind down process and allows the funds to engage in an orderly liquidation which should ensure an equitable distribution of the remaining assets in the funds.

Additionally, we continue to see the effects of severe liquidity shortages in the market for all structured asset-backed and mortgage-backed securities. That has caused concern among some investors and has resulted in an unusual number of withdrawal requests at our Bear Stearns Asset Backed Securities Partners fund (ABS). As a result, the fund has decided to temporarily suspend redemptions at this time, however, we are confident that the fund is well-positioned to wait out the current market conditions because of the quality of the assets, absence of leverage and a strong cash position.

These decisions were not taken lightly. We don't believe it is prudent or in the interest of our investors to sell into a dislocated market. We are intent on resuming normal operations in ABS as soon as market conditions warrant but, under current conditions, we feel these are the right steps at this time to protect all investors.

Ultimately, we understand that you trust your investment with BSAM because of the high caliber of our people and their expertise. As we move forward, we intend to continue earning that trust day in and day out.

Sincerely,

Jeffrey B. Lane
Chairman and CEO
Bear Stearns Asset Management Inc.