 (b) (2) [redacted]

From: Steel, Robert
Sent: Thursday, March 13, 2008 8:12 PM
To: 'EICHNERM@SEC.GOV'
Cc: Ryan, Tony
Subject: Re: Conference Call

Matt pls add Tony Ryan to all calls on this... His e mail is above.

Thx

----- Original Message -----
From: Eichner, Matthew <EICHNERM@SEC.GOV>
To: timothy.geithner@ny.frb.org <timothy.geithner@ny.frb.org>; donald.l.kohn@frb.gov <donald.l.kohn@frb.gov>; Steel, Robert; kevin.warsh@frb.gov <kevin.warsh@frb.gov>; Sirri, Erik R. <SirriE@sec.gov>
Sent: Thu Mar 13 16:59:49 2008
Subject: Conference Call

Hi,

Erik Sirri asked me to arrange a conference bridge for the call this evening at 7:30 pm:

Toll Free Dial In Number: (877)322-9648
Int'l Access/Caller Paid Dial In Number: (954)797-0718
HOST CODE: (b) (2) [redacted].
PARTICIPANT CODE: (b) (2) [redacted]

My regards,

-matt

Steel, Robert

From: Eichner, Matthew [EICHNERM@SEC.GOV]
Sent: Thursday, March 13, 2008 8:13 PM
To: Steel, Robert
Cc: Ryan, Tony
Subject: Re: Conference Call

Will do. We haven't scheduled a firm time for the next call yet as I recall.

----- Original Message -----
From: Robert.Steel@do.treas.gov <Robert.Steel@do.treas.gov>
To: Eichner, Matthew
Cc: Tony.Ryan@do.treas.gov <Tony.Ryan@do.treas.gov>
Sent: Thu Mar 13 20:11:45 2008
Subject: Re: Conference Call

Matt pls add Tony Ryan to all calls on this... His e mail is above.

Thx

----- Original Message -----
From: Eichner, Matthew <EICHNERM@SEC.GOV>
To: timothy.geithner@ny.frb.org <timothy.geithner@ny.frb.org>; donald.l.kohn@frb.gov <donald.l.kohn@frb.gov>; Steel, Robert; kevin.warsh@frb.gov <kevin.warsh@frb.gov>; Sirri, Erik R. <SirriE@sec.gov>
Sent: Thu Mar 13 16:59:49 2008
Subject: Conference Call

Hi,

Erik Sirri asked me to arrange a conference bridge for the call this evening at 7:30 pm:

Toll Free Dial In Number: (877)322-9648
Int'l Access/Caller Paid Dial In Number: (954)797-0718
HOST CODE: (b) (2) [redacted]
PARTICIPANT CODE: (b) (2) [redacted]

My regards,

-matt

Steel, Robert

From: Eichner, Matthew [EICHNERM@SEC.GOV]
Sent: Thursday, March 13, 2008 8:19 PM
To: timothy.geithner@ny.frb.org; donald.l.kohn@frb.gov; Steel, Robert; kevin.warsh@frb.gov; Sirri, Erik R.; Ryan, Tony
Subject: Conference Call at 8:30
Importance: High

Hi,

Erik asked me to propose that we reconvene at 8:30 pm. The call-in number is:

Call-in: (877) 336-1839
Access Code: [redacted] (b) (2)

Many thanks,

-matt

Steel, Robert

From: Steel, Robert
Sent: Thursday, March 13, 2008 8:29 PM
To: Ryan, Tony
Subject: Fw: Conference Call at 8:30

Importance: High

Hi... I am on with Alan Scwartz and Geithner and other BSC guys... Will join the 830 call as soon as can.

----- Original Message -----
From: Eichner, Matthew <EICHNERM@SEC.GOV>
To: timothy.geithner@ny.frb.org <timothy.geithner@ny.frb.org>; donald.l.kohn@frb.gov <donald.l.kohn@frb.gov>; Steel, Robert; kevin.warsh@frb.gov <kevin.warsh@frb.gov>; Sirri, Erik R. <SirriE@sec.gov>; Ryan, Tony
Sent: Thu Mar 13 20:19:14 2008
Subject: Conference Call at 8:30

Hi,

Erik asked me to propose that we reconvene at 8:30 pm. The call-in number is:

Call-in: (877) 336-1839
Access Code: (b) (2) [redacted]

Many thanks,

-matt

Steel, Robert

From: Steel, Robert
Sent: Thursday, March 13, 2008 9:21 PM
To: 'Timothy.Geithner@ny.frb.org'
Subject: Let me know if you are going to go in to office

Can I help...

Am happy to do whatever is helpful.

Steel, Robert

From: Timothy.Geithner@ny.frb.org
Sent: Thursday, March 13, 2008 9:30 PM
To: Steel, Robert
Subject: Re: Let me know if you are going to go in to office

I'm going in. Would welcome your presence, of course.

----- Original Message -----
From: Robert.Steel
Sent: 03/13/2008 09:21 PM AST
To: Timothy Geithner
Subject: Let me know if you are going to go in to office

Can I help...

Am happy to do whatever is helpful.

Valentic, Marsha

To: Steel, Robert
Subject: RE: Some issues have arisien and I stayed in NY.

-----Original Message-----
From: Steel, Robert
Sent: Friday, March 14, 2008 4:57 AM
To: Valentic, Marsha; Ridgway, Diana; Foley, Trip
Subject: Some issues have arisien and I stayed in NY.

I will be at the NY Fed c/o Tim Geithner this am.

Thx

From: McLaughlin, Brookly
Sent: Friday, March 14, 2008 6:17 AM
To: _DL_FYI
Subject: WaPo - Plan Aims to Restore Faith in the Economy; Government Proposal Would Tighten Reins on Lenders, Credit-Rating Firms

Plan Aims to Restore Faith in the Economy; Government Proposal Would Tighten Reins on Lenders, Credit-Rating Firms WP00000020080314e43e00051 A Section David Cho and Jeffrey H. Birnbaum Washington Post Staff Writers
1045 Words
14 March 2008
The Washington Post
The Washington Post - Print and Online
CTGWP
FINAL
A01
English
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The nation's top economic policymakers unveiled a far-reaching plan yesterday to fortify the U.S. financial system, aiming to prevent a repeat of the credit meltdown that has roiled global markets since the summer.

The proposals call for changes to nearly every segment of the credit markets and mortgage industry, including the creation of national standards for mortgage brokers, tighter oversight of credit-rating firms and stricter capital requirements for financial institutions making risky investments. The plan's authors did not explain how they would translate their ideas into laws.

The continuing toll of upheaval in the credit markets was underscored yesterday when the government reported that consumers curtailed spending in February. The dollar fell to record lows against the euro and below 100 yen for the first time since 1995. Crude oil rose above $111 a barrel for the first time.

Meanwhile, a hedge fund run by District-based Carlyle Group defaulted on $16.6 billion in loans and teetered on the verge of collapse, raising concerns about failures at similar funds. Shares of Bear Stearns, the country's largest brokerage for hedge funds, hit a seven-year low and ended the day down 7.4 percent on concerns that it, too, could run short of money.

The toxic combination of news sent the Dow Jones industrial average and the Standard & Poor's 500-stock index down nearly 2 percent in the morning. Both indicators recovered to end the day slightly higher after a report from Standard & Poor's concluded that losses in subprime mortgages, which triggered the credit crisis, may be nearing an end.

Most economists say Wall Street's credit woes are tipping the country into recession. Treasury Secretary Henry M. Paulson Jr. acknowledged that yesterday's report from the President's Working Group on Financial Markets is not intended to immediately solve those problems. Instead, the effort is intended to gradually restore confidence in the financial system.

Many of the group's recommendations take aim at the mortgage securitization process, which for years was a highly profitable business that allowed Wall Street firms to collect big fees for turning home loans into securities and selling them to investors. The report wants rating agencies to be transparent about how they evaluate and score securities because these firms have so often been wrong in their ratings. It also chides lenders and big funds for becoming sloppy in their investment practices when markets were booming earlier this decade.

Taken in total, the effort seeks to cure three paramount failings behind the credit meltdown: Financial firms at each step of the securitization process didn't know what they were buying, didn't care as long as they were making money, and didn't have enough cash to cover mistaken bets.

Paulson remained vague, however, about what new standards should be established and who would oversee them. For example, he said legislation would be required to revamp the securitization process but declined to be more specific.

"It's clearly going to take a while to put these recommendations in place and to implement them," Paulson said in an interview. "We must implement these recommendations with an eye toward not creating a burden that exacerbates today's market stresses."

Industries addressed in the report, and some Wall Street banks, gave a cool reception to the proposals.

Christopher Low, chief economist at FTN Financial, said the recommendations would probably make the situation worse because tighter regulation and capital requirements could make financial firms even less willing to invest or make loans at a time when credit is already tight.

"Unfortunately, you've got the brightest minds of both parties working night and day to come up with solutions, and so far there have been a lot more misses than hits," he said.

The report was prepared by the government's most powerful regulators, including Paulson, who chairs the group; Federal Reserve Chairman Ben S. Bernanke; and Securities and Exchange Commission Chairman Christopher Cox. Before Paulson took office, the group, established by President Ronald Reagan, had hardly met.

After starting work seven months ago, those policymakers and the heads of several other federal agencies held two long meetings to craft a framework for their proposals, while top staff members regularly cloistered to hammer out the details. Paulson and Bernanke, in particular, worked closely together, spending half the day on a Saturday in early March to shape the final recommendations.

The high-level, interagency nature of the committee made it difficult for special interests to influence the group, though Paulson said he kept in contact with the private sector.

"It's not a group that's lobbied," said Edward L. Yingling, president of the American Bankers Association. "It meets very quietly on its own."

Because few outsiders participated in drafting the recommendations, the group has "a lot of work to do" to persuade private firms to agree to new policies, Paulson said. "When all of the regulators come together and speak with one voice, that's very powerful."

But if businesses such as credit-rating firms and mortgage brokers prove to be resistant to persuasion, Paulson warned, "We obviously will take the next steps . . . and if we need additional authorities, we'll go get them."

Leading credit-rating firms Moody's and Fitch Ratings did not comment on the recommendations, saying they would work with the group and appreciated its efforts.

The National Association of Mortgage Brokers was less receptive. "Regrettably, we were not asked to provide input into the recommendations," said Executive Vice President Roy DeLoach. "We believe it is a flawed plan to ask regulators of state lenders and mortgage brokers for greater oversight without including all lenders."

Paulson, a former chief executive of Goldman Sachs, also raised the hackles of some Wall Street bankers by suggesting they cut dividends to shareholders to raise their capital levels to cover potential losses. They said punishing shareholders was the wrong move for banks that are struggling.

Staff writers Tomoeh Murakami Tse in New York and Neil Irwin contributed to this report.

http://www.washingtonpost.com
WP20080314TREASURY14

Sent from my BlackBerry Wireless Handheld

Stoltzfoos, Jeffrey

From:	Market Room
Sent:	Friday, March 14, 2008 7:31 AM
Subject:	Markets Briefing | March 14
Attachments:	Morning 2008-03-14.doc

DJIA (fut)	12074.74	-0.63	%
S&P	1307.48	-0.51	%
NASDAQ	1748.61	-0.44	%
FTSE	5708.3	0.28	%
Nikkei	12241.6	-1.54	%
1-Month Tsy	1.557	-0.02	bps
3-Month Tsy	1.336	-2.062	bps
3-month LIBOR	2.8	-5	bps
2-yr Tsy	1.56	-6.646	bps
10-yrTsy	3.492	-3.385	bps
2-yr SwSpr	91.5	1.75	bps
10-yr SwSpr	71.8	0.8	bps
30-yr Conf Mtge	143.28	-9.7	bps
10-yr Gilt	4.385	2.1	bps
10-yr Bund	3.77	1	bps
10-yr JGB	1.275	-1.5	bps
Oil NMX WTI	$110.06	-$0.28	
Gold Spot	$996.00	$1.28	
$/Euro	$1.5539	-0.60	%
Yen/$	100.5925	-0.07	%
Yen/Euro	156.321	-0.65	%

Price action in currency markets was relatively moderate overnight, although the dollar continues to trade close to its record low level against the euro and multi-year low against the yen. Market participants continue to discuss the possibility that G-3 policymakers may intervene to support the dollar. Most continue to suggest that such a policy action is not likely in the near-term, although they remain very attentive to the recent increase in official comments from G-3 policymakers regarding the dollar's recent weakness. Analysts interpreted yesterday afternoon's comments from the Secretary as indicating little change in the official stance on the dollar's exchange value. Dealers report that near-term sentiment toward the dollar is increasingly becoming negative, in part due to perceptions that the U.S. policymakers may be acquiescent to further dollar weakness. In addition, a Nikkei news article released late yesterday afternoon suggesting that Japanese monetary authorities "may be wary of intervening in currency markets" also provided some support to the yen. The price of 1-month euro-dollar implied volatility was little changed overnight, but remains close to its highest level since December 2004. In contrast, 1-month dollar-yen implied volatility declined by over 1 percent to 15.75 percent, although it remains close to multi-year high levels.

Global equity markets were mixed overnight, with European indices moderately higher although the Nikkei declined by 1.54 percent. In Europe, the German Dax moved 0.4 percent higher while the FTSE was up 0.25 percent on the session. European sovereign debt yields moved higher on the stronger-than-expected Euro-zone CPI print which showed that core prices increased 1.8% year-over-year, more than the expected rate of 1.7%. The CPI print fueled expectations of further ECB hawkishness and pushed ten-year Bund yields 4 basis points higher to yield 3.779 percent. Broader credit spreads tightened overnight but remain near recent wides with the iTraxx investment grade and crossover indices 3 and 9 basis points tighter, respectively.

In the New York session, market participants will be watching the U.S. CPI at 8:30 am and the University of Michigan Consumer Confidence Survey which will be released at 10 am. Market participants will also be focused on comments from President Bush speaking later today for further insights into the U.S. administrations stance on the dollar's exchange value. Looking ahead to next week, the main focus of market participants will be the FOMC meeting on Tuesday. Additionally, market participants will be focused on earnings from four major investment banks beginning with Goldman Sachs and Lehman Brothers on Tuesday, Morgan Stanley on Wednesday, and Bear Stearns on Thursday.

Source: Bloomberg, Moody's, TradeWeb, Dow Jones, Reuters and NY Fed Markets

Robert Hill
Markets Room
202.622.3665
For 24-hr updates, ping mkt@do.treas.gov

Morning
)8-03-14.doc (67 KE

Steel, Robert

From: Steel, Robert
Sent: Friday, March 14, 2008 7:53 AM
To: West, Christal
Cc: Ryan, Tony
Subject: Fw: Chairman Cox

Hank should give Cox a call.

I am at NY Fed in 5 and available via Geiithner.

----- Original Message -----
From: Colby, Robert LD <ColbyR@SEC.GOV>
To: donald.kohn@frb.gov <donald.kohn@frb.gov>; Steel, Robert
Cc: Sirri, Erik R. <SirriE@sec.gov>
Sent: Fri Mar 14 07:40:36 2008
Subject: Chairman Cox

Chairman Cox has tried to reach Secretary Paulsen and Chairman Bernanke. He can be reached at his office at 202 551 2100. Robert Colby Division of Trading and Markets 202-551-5770

Appleton, Jesse

From: Sobel, Mark
Sent: Friday, March 14, 2008 8:23 AM
To: McCormick, David; Ryan, Tony; McLaughlin, Brookly

08:21 14Mar2008 RTRS-BEAR STEARNS EXPECTS ADDITIONAL WRITE-DOWNS OF $35 BLN TO $70 BLN IN Q1 FOR S&P 500 FINANCIALS DUE TO DETERIORATION IN CREDIT MARKETS

For Related News, Double Click on one of these codes:
[E] [U] [UKI] [D] [T] [C] [M] [O] [MTL] [GRO] [SOF] [OIL] [NAT] [FUND] [BSVC] [FINS] [INVS] [US] [FIN] [BANK] [BNK] [MTG] [DBT] [USC] [REA] [DRV] [RCH] [LEN] [RTRS] [MER.N] [GS.N] [C.N] [LEH.N] [WFC.N] [WB.N] [MS.N] [BSC.N] [FRE.N] [FNM.N]

For Relevant Price Information, Double Click on one of these codes:
<MER.N> <GS.N> <C.N> <LEH.N> <WFC.N> <WB.N> <MS.N> <BSC.N> <FRE.N> <FNM.N>
Friday, 14 March 2008 08:21:03RTRS [nWNA7307] {EN}ENDS

Appleton, Jesse

From: Sirri, Erik R. [SirriE@sec.gov]

Sent: Friday, March 14, 2008 9:07 AM

To: Steel, Robert; Ryan, Tony

Here is our draft release:

Statement of U.S. Securities and Exchange Commission Regarding The Bear Stearns Companies

FOR IMMEDIATE RELEASE
2008-xx

Washington, D.C., March 14, 2008 - The Securities and Exchange Commission has been in close contact with the Department of the Treasury, the Federal Reserve, and the Federal Reserve Bank of New York during discussions concerning an agreement by J.P. Morgan Chase & Co. to provide a secured loan facility to The Bear Stearns Companies. We will continue to work closely together in a way that contributes to orderly and liquid markets.

Erik R. Sirri
SEC, Div. of Trading and Markets
sirrie@sec.gov (202) 551-5500

Appleton, Jesse

From: West, Christal
Sent: Friday, March 14, 2008 9:10 AM
To: Ryan, Tony
Subject: RE: fyi

thanks

From: Ryan, Tony
Sent: Friday, March 14, 2008 9:10 AM
To: Davis, Michele; McLaughlin, Brookly
Cc: West, Christal
Subject: FW: fyi

From: Sirri, Erik R. [mailto:SirriE@sec.gov]
Sent: Friday, March 14, 2008 9:07 AM
To: Steel, Robert; Ryan, Tony
Subject:

Here is our draft release:

Statement of U.S. Securities and Exchange Commission Regarding The Bear Stearns Companies

FOR IMMEDIATE RELEASE
2008-xx

Washington, D.C., March 14, 2008 - The Securities and Exchange Commission has been in close contact with the Department of the Treasury, the Federal Reserve, and the Federal Reserve Bank of New York during discussions concerning an agreement by J.P. Morgan Chase & Co. to provide a secured loan facility to The Bear Stearns Companies. We will continue to work closely together in a way that contributes to orderly and liquid markets.

Erik R. Sirri
SEC, Div. of Trading and Markets
sirrie@sec.gov (202) 551-5500

Stoltzfoos, Jeffrey

From: Market Room
Sent: Friday, March 14, 2008 9:15 AM
Subject: Bear Stearns

Attachments: bear.pdf

- JP Morgan will act as Bear Stearn's agent to borrow from the discount window (28-days)

More updates to follow.

JPMorgan Chase and Federal Reserve Bank of New York To Provide
2008-03-14 09:13 (New York)

Financing To Bear Stearns

NEW YORK--(BUSINESS WIRE)--March 14, 2008 Today, JPMorgan Chase & Co. (NYSE: JPM) announced that, in conjunction with the Federal Reserve Bank of New York, it has agreed to provide secured funding to Bear Stearns, as necessary, for an initial period of up to 28 days. Through its Discount Window, the Fed will provide non-recourse, back-to-back financing to JPMorgan Chase.
Accordingly, JPMorgan Chase does not believe this transaction exposes its shareholders to any material risk. JPMorgan Chase is working closely with Bear Stearns on securing permanent financing or other alternatives for the company.

JPMorgan Chase & Co. (NYSE: JPM) is a leading global financial services firm with assets of $1.6 trillion and operations in more than 60 countries. The firm is a leader in investment banking, financial services for consumers, small business and commercial banking, financial transaction processing, asset management, and private equity. A component of the Dow Jones Industrial Average, JPMorgan Chase serves millions of consumers in the United States and many of the world's most prominent corporate, institutional and government clients under its JPMorgan and Chase brands. Information about the firm is available at www.jpmorganchase.com.

bear.pdf (173 KB)

Bear Stearns

Estimate Change **BUY**

Equity | United States | Securities Broker/Dealer
03 March 2008

Bear licking its wounds, but refocused under Schwartz

Merrill Lynch

Guy Moszkowski, CFA +1 212 449 7800
Research Analyst
MLPF&S
guy_moszkowski@ml.com

M. Patrick Davitt +1 212 449 1216
Research Analyst
MLPF&S
mpatrick_davitt@ml.com

We met recently with CEO Alan Schwartz and CFO Sam Molinaro

Culture wounded, but healing

While the struggles of 2007 took a toll on BSC morale, both managers agree the troops are refocused and say they see little sign of unusual attrition patterns. Risk management has been restructured with more streamlined reporting (to Molinaro) and a greater appreciation for "tail risk."

Capital needs reduced, CITIC investment strategic in nature

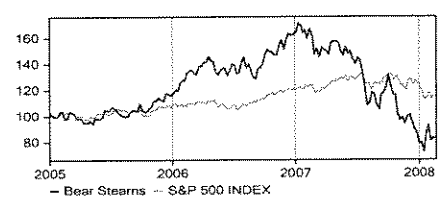
We had long considered BSC over-capitalized; recent loss of equity capital more than erased that excess capital, but as risk asset levels are worked down, the firm's capital needs have been reduced significantly, so the $1bn from CITIC should be sufficient to replace the $1.5bn of capital lost in 2H07. Schwartz sees CITIC deal as a strategic partnering with the Chinese bank. The firm is increasingly focused on partnering with clients and other outside investors to exploit opportunities such as growing attractiveness distressed credit assets.

1Q08 looks better than 4Q07, but still need to cut

Overall, management seemed more constructive on 1Q08 as most of BSC's more toxic exposures have been worked down and they seem more confident about current effectiveness of current hedges on remaining inventories. Further, flow businesses are said to be performing well, with client attrition minimal. Weak investment banking activity, and likely marks in leveraged loan and CMBS books, drive us to cut 1QE to $0.95 from $1.64 (ROE of 5%). Still, at just 1.0x book value, we think near-term cyclical earnings weakness is priced in.

Stock Data

Price	US$79.86
Price Objective	US$103.00
Date Established	11-Jan-2008
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	US$68.18-159.36
Mrkt Val / Shares Out (mn)	US$10,398 / 130.2
ML Symbol / Exchange	BSC / NYS
Bloomberg / Reuters	BSC US / BSC.N
ROE (2008E)	9.0%
Leverage (2007A)	93.5%
Est. 5-Yr EPS / DPS Growth	10.0% / 10.0%



Quarterly Earnings Estimates

	2007	2008
Q1	3.82A	0.95E
Q2	3.40A	2.16E
Q3	1.16A	2.23E
Q4	-6.90A	2.29E

Estimates (Nov)

(US$)	2006A	2007A	2008E	2009E	2010E
EPS	14.27	1.52	7.63	10.12	11.69
GAAP EPS	14.27	1.52	7.63	10.12	11.69
EPS Change (YoY)	38.5%	-89.3%	402.0%	32.6%	15.5%
Consensus EPS (First Call: 25-feb-2008)			8.44	10.23	10.47
Dividend Rate	1.12	1.28	1.28	1.28	1.41

Valuation (Nov)

	2006A	2007A	2008E	2009E	2010E
P/E	5.6x	52.5x	10.5x	7.9x	6.8x
GAAP P/E	5.6x	52.4x	10.5x	7.9x	6.8x
Dividend Yield	1.4%	1.6%	1.6%	1.6%	1.8%

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Refer to important disclosures on page 8 to 9. Analyst Certification on page 7. Price Objective Basis/Risk on page 6.

10703840

iQprofile[SM] Bear Stearns

Income Statement Data (Nov)

(US$ Millions)	2006A	2007A	2008E	2009E	2010E
Net Revenues	9,227	5,945	7,488	8,552	9,378
Compensation & Benefits	(4,343)	(3,425)	(3,684)	(4,105)	(4,502)
% of Net Revenue	47.1	57.6	49.2	48.0	48.0
Non-Compensation Expenses	(1,737)	(2,328)	(2,209)	(2,302)	(2,372)
Net Income to Ordinary Shareholders	2,032	212	1,040	1,416	1,653
Adjusted Net Income (Operating)	2,120	223	1,120	1,510	1,747

Balance Sheet Data (Nov)

(US$ Millions)	2006A	2007A	2008E	2009E	2010E
Total Assets	350,433	NA	419,510	440,485	472,200
Total Shareholders' Equity	12,129	NA	12,787	14,141	15,730
Net Assets	261,035	NA	NA	NA	NA
Tangible Shareholders' Equity	12,129	NA	12,787	14,141	15,730
BVPS (Stated Equity)	NA	NA	NA	NA	NA
% growth	NA	NA	NA	NA	NA

Trading (Nov)

(US$ Millions)	2006A	2007A	2008E	2009E	2010E
Net Trading Rev (Princ Trans+Net Int)	6,207	2,673	4,719	5,425	5,919
% growth	29.3	-56.9	76.5	15.0	9.1
ROA (Net Trad Rev/Ave Bal Sht Asts)	1.93%	NA	NA	NA	NA
Value-at-Risk	29	NA	NA	NA	NA
VaR as a % of Total Equity	0.24%	NA	NA	NA	NA

Investment Banking (Nov)

(US$ Millions)	2006A	2007A	2008E	2009E	2010E
Financial Advisory Revenues	494	533	400	361	451
Equity Underwriting Revenues	NA	NA	NA	NA	NA
Debt Underwriting Revenues	NA	NA	NA	NA	NA
Total Investment Banking Revenue	1,223	1,355	725	964	1,180
% growth	38.5	10.8	-46.5	33.0	22.4

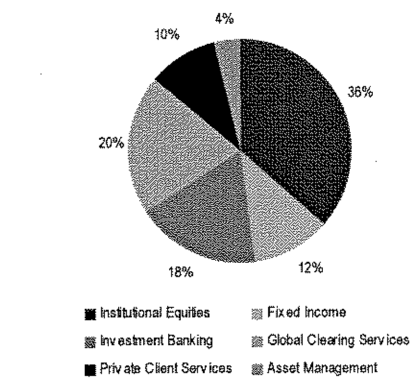
Performance Metrics (Nov)

(US$ Millions)	2006A	2007A	2008E	2009E	2010E
ROE (Stated Equity)	19.1%	1.8%	9.0%	11.0%	13.2%
Operating Margin	34.1%	3.2%	21.3%	25.1%	26.7%
Pre-Tax Profit Margin	34.1%	3.2%	21.3%	25.1%	26.7%
Net Profit Margin	23.0%	3.8%	15.0%	17.7%	18.6%
Comp Expense/Revenue	47.1%	57.6%	49.2%	48.0%	48.0%
Non-Comp Expense / Revenue	18.8%	39.2%	29.5%	26.9%	25.3%
Net Revenue Growth	24.5%	-35.6%	26.0%	14.2%	9.7%
Operating Expense Growth	19.1%	-5.4%	2.4%	8.7%	7.3%
Operating Income / Average Assets	2.9%	NA	NA	NA	NA
Trading-Related Revenue / Net Revenue	67.3%	45.0%	63.0%	63.4%	63.1%
Asset Management & Fee Rev / Net Rev	3.6%	0%	0%	0%	0%
Total Employees (Actual)	13,566	14,153	NA	NA	NA

Company Description

Bear Stearns (BSC) is smaller and historically more focused on specialty businesses than its key publicly traded peers. Although BSC is more trading driven, the firm has also broadened its capabilities in non-traditional mortgage, asset-backed, muni, and corporate debt.

Chart 1: 2007 Revenue Breakdown



Source: Company reports

Stock Data

Average Daily Volume	7,612,571
Brokers Covered (FirstCall)	0

We met recently with CEO Alan Schwartz and CFO Sam Molinaro

Risk process restructured

Since becoming CEO, Schwartz says he has been primarily focused on the Trading desks and working down BSC's illiquid exposures. Obviously something went very wrong last year as the normally stable, customer oriented Bear franchise became saddled with toxic assets leading to significant losses, and Molinaro said the issue was not solely due to positions inherited from the ill-fated BSAM hedge funds, but stemmed from risk management break-down. Schwartz and Molinaro discussed BSC's culture after a significant beating, and how changes are being made to avoid the costly mistakes of 2007. Molinaro stressed that BSC's traditional client focus had not wavered, but the unprecedented shut-down in securitization markets left the firm stuck with illiquid assets. He noted a dramatic underestimation of "tail risk" led to accumulation of an outsized position in mortgage assets. Accordingly, the risk infrastructure has been re-tooled with risk managers now reporting to Molinaro; and Schwartz, at least for now,is taking a more hands-on role with Trading management than the CEO role would generally entail.

Both managers noted that ratings agency errors contributed to bad decision making in that traders incorrectly took comfort in highly rated securities. Schwartz supports a significant overhaul of the ratings system, where a different nomenclature would be used for securitizations than for corporate debt securities to avoid confusion. A functioning "AAA" (or equivalent) market where people actually trust that rating is essential to credit market recovery, he believes.

Capital base right sized; China an opportunity

As we have argued in the past, Molinaro acknowledged that the firm had, for a long time, been over-capitalized. Accordingly, the firm arranged to raise only about 66% of the capital lost in 2H07, via the investment from CITIC and, given the recent contraction of the balance sheet, believes this will be sufficient. While plenty of opportunities to raise capital have presented themselves (most likely SWFs), management made it clear that they will not raise capital for the sake of raising capital, especially at current valuation. Given the firm has worked down exposures and is no longer originating residential, commercial or leveraged loans, capital needs are significantly reduced. When asked about Prime Brokerage capital needs, Molinaro noted that the unit is primarily funded through internalization of account balances and secured repo. markets; it is not a major user of capital (BSCC, the subsidiary housing the clearing business, carries $2bn of capital, vs. the consolidated total of $12bn).

Going forward, Schwartz and Molinaro expect to minimize capital needs for a given level of business by partnering with investors to exploit principal-investment opportunities such as those beginning to arise in credit markets.

Outlook more sanguine, but conditions remain weak

Overall. Schwartz and Molinaro seemed more constructive than in late-07 and hinted that 1Q08 was shaping up better than 4Q07 (this is not hard to imagine given how abysmal 4Q was for the firm). Problematic exposures have been significantly reduced and management is comfortable that CMBS exposures are reasonably well protected. The firm has taken advantage of short windows of opportunity to put hedges on these positions, an action that some competitors may have failed to take (or been unable to given their larger scale). Of course, these hedges will have to be watched closely as underlying credit fundamentals suggest CMBS could bounce back rapidly if buyers return to the market. More broadly, management says that they have seen less "hedge breakage" this quarter and significant gains on the positions should be expected. It is important to note that conditions have deteriorated further since our meeting, but we are encouraged that BSC appears to be better positioned to weather the CMBS storm than most competitors. Also, in accordance with what we have heard at other firms, flow businesses are said to be reasonably strong this quarter.

In CDO/ subprime, BSC exposure is greatly reduced and concern is lessening given the conservative marks already taken. The ABX has generally priced in all of the bad news in these markets, according to Molinaro. Additionally, the firm's direct exposure to mono-lines is said to be minimal.

On the leveraged loan front, investor concern lies mostly with BSC's significant commitment to the Hilton buyout, which us actually within the firm's commercial real estate portfolio. According to Schwartz, however, the structure of the deal, with hotel properties as collateral, suggests marks will be limited. Also the deal terms were very conservative when compared to other deals, with lower equity contribution and looser covenants. In fact, this structure explains why management was comfortable with such an outsized commitment (the $5bn is ~40% of BSC's equity capital base). BSC does have an additional $500mn of unfunded exposure that will have to be marked, we estimate $25mn or 5%. Molinaro thinks that November marks were very conservative, however.

Cutting 1Q08E EPS to $0.95 from $1.64

At 4Q, BSC reported $15bn of commercial real estate whole loan exposure. Given BSC's relatively small footprint in the CMBS origination business, we believe that asset exposure to be more like $2.5bn. Assuming that CMBS positions are more pressured, we forecast a 5% mark on the $2.5bn of CMBS inventory and 2% on the $15bn whole loan inventory. This would suggest a mark of about $425mn, but management comments suggest significant hedging of this portfolio (we estimate 50%), which takes the mark down to $212mn. Including the $25mn leveraged loan mark discussed above, we are now forecasting an additional $230mn mark for BSC.

We also cut our M&A forecast to $45mn from $85mn and our Underwriting forecast to $50mn from $80mn as indicated by data from dialogic.

The new forecast implies ROE of about 5%, in-line with Q3 reported, and Q4 excluding the $1.9bn in mortgage marks. To see improvement in the P/B ratio of 1.0x, we believe the market would require positive momentum in ROE, which does not seem likely in Q1. But the fact that ROE seems stable around 5% encourages us to believe the shares are stable at the current valuation and that any cyclical improvement will drive upward P/B revaluation.

Table 1: BSC Income Statement ($ in mn)

	1Q07 end 2/07	2Q07 end 5/07	3Q07 end 8/07	4Q07 end 11/07	1Q08E end 2/08	2006 end 11/06	2007 end 11/07	2008E end 11/08	2009E end 11/09
REVENUES									
Commissions	281	306	354	328	315	1,163	1,269	1,277	1,303
Net Interest	341	342	359	307	340	1,212	1,350	1,360	1,401
Trading	1,308	1,204	330	(1,543)	513	4,885	1,299	3,321	3,974
Investments/Private Equity/Merchant Bank	34	19	(29)	-	-	111	24	38	50
Principal Transactions	1,342	1,223	301	(1,543)	513	4,995	1,323	3,359	4,024
Financial Advisory	95	140	148	150	45	494	533	360	361
Underwriting	172	196	92	113	50	568	573	245	504
Investment Banking	316	385	306	348	125	1,223	1,355	725	964
Other Revenues	167	237	39	181	175	524	624	730	810
Net Revenues	**2,482**	**2,512**	**1,331**	**(379)**	**1,468**	**9,227**	**5,945**	**7,488**	**8,552**
Net Trading Revenues	1,684	1,565	660	(1,236)	853	6,207	2,673	4,719	5,425
EXPENSES									
Comp/Net Revenues	48.5%	49.0%	49.9%	NMF	50.0%	47.1%	57.6%	49.2%	48.0%
Compensation & Benefits	1,204	1,231	664	326	734	4,343	3,425	3,684	4,105
Cap Expense	42	32	4	59	35	155	137	140	165
Communications/ Technology	128	143	151	156	160	479	578	614	638
Occupancy/ Equip./ Depr./ Amort.	57	64	69	74	75	198	264	330	343
Professional Services	72	89	91	109	85	280	361	345	359
Advertising/ Business Development	37	49	49	44	42	147	179	158	164
Brokerage, Clearing & Exchange Fees	56	64	80	80	80	227	280	342	352
Other Operating Expenses	51	286	48	144	70	251	529	280	280
Non-Compensation Expense	400	695	488	607	512	1,582	2,191	2,069	2,137
Total Operating Expenses	**1,647**	**1,958**	**1,156**	**992**	**1,281**	**6,081**	**5,753**	**5,893**	**6,407**
Income (Loss) Before Inc. Taxes & Other	835	554	175	(1,371)	187	3,147	193	1,596	2,146
Income Taxes (Benefit)	281	192	4	(517)	63	1,093	(40)	534	730
Tax Rate	33.7%	34.7%	2.0%	37.7%	33.5%	34.7%	NMF	33.5%	34.0%
NET INCOME (LOSS)	554	362	171	(854)	124	2,054	233	1,061	1,416
Cap Expense	24	18	2	(19)	20	88	11	80	94
Preferred Dividends	(5)	(5)	(5)	(5)	(5)	(21)	(21)	(21)	(21)
INCOME FOR COMMON	572	375	168	(878)	139	2,120	223	1,120	1,489
Average Shares									
Basic	133	132	129	127	130	132	130	131	132
Diluted	150	149	145	127	146	149	146	147	147
EARNINGS PER SHARE									
Basic	$ 4.30	$ 2.84	$ 1.30	$ (6.90)	$ 0.95	$ 15.79	$ 1.68	$ 8.04	$ 10.77
Diluted	$ 3.82	$ 2.52	$ 1.16	$ (6.90)	$ 0.95	$ 14.27	$ 1.52	$ 7.63	$ 10.12
Diluted from Operations	**$3.82**	**$3.40**	**$1.16**	**$ (6.90)**	**$ 0.95**	**$ 14.27**	**$ 1.52**	**$ 7.63**	**$ 10.12**

Source: Company reports and Merrill Lynch

Price objective basis & risk

Valuation

The 1990 level would indicate potential downside to $65. On the other hand, Upside over a 1-2 year time horizon is probably considerably greater: 12 month upside to BV on 10% ROE is $90; at that point prospects for a return to the company's historical ROE average around 15% will be much better, driving strong potential for P/B to improve to around 1.2x; indicating stock price potential of $108. Applying our usual 5% haircut, we generate a price objective of $103.

Risks to our price objective:

1. What might still lurk on the balance sheet and how might that impact earnings and BVPS near term?

- $755mn of sub-prime/ CDO exposure remains; the net position is reported as being short, but of course the caveat is that hedges can fail, reversing this, as happened at MS. Still, overall we think that to the extent that sub-prime positions have been written down to values driven by the heavily-shorted ABX indices, there is strong potential for some value recovery later in 2008 and beyond as distressed-asset investors begin looking at these assets and assigning values based on observable cash flows.

- $46bn of remaining MBS exposure of which $7.8bn is retained interests in its own securitizations, $15bn is CMBS. However these are not the toxic subprime exposures, beyond the $700mn above, so the negative credit spread action we are continuing to see is unlikely to have the kind of net-loss effect seen in Q4; instead, these headwinds are the major contributors to driving ROE at the cyclical bottom of traditional ranges, i.e. around 10%.

- Leverage is 33.5x gross, we estimate, 23.5x net, at 11/30; but 31x/ 22x pro-forma for the CITIC investment of $1 BB, assuming full capital credit. There is some risk the company will de-leverage for the time being, re-trenching.

2. Legal risk stemming from the losses in the 2 failed Hedge Funds; and the sharp drop in BSC's share price?

- These are hard to quantify, of course; but BSC has dealt with significant legal risks.

3. Franchise Erosion

- Q4 results apart from the asset hits seemed to indicate some franchise erosion in other parts of the business: Prime Brokerage/ Clearance, Equities, and Investment Banking. But we think this is largely related to the de-stabilization of the firm by recent events and will correct itself to a degree that allows the type of ROE range we project above.

General Risks

Earnings volatility remains an undeniable part of the brokerage business, with BSC registering ROEs from the mid-teens (and even worse this cycle) in trough conditions to the low-twenties in a peak market environment. As with most brokers, the firm's business is very balance-sheet intensive and employs a large degree of leverage. Revenues can be very "lumpy" and subject to global disruptions in the markets.

Analyst Certification

I, Guy Moszkowski, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

*iQmethod*SM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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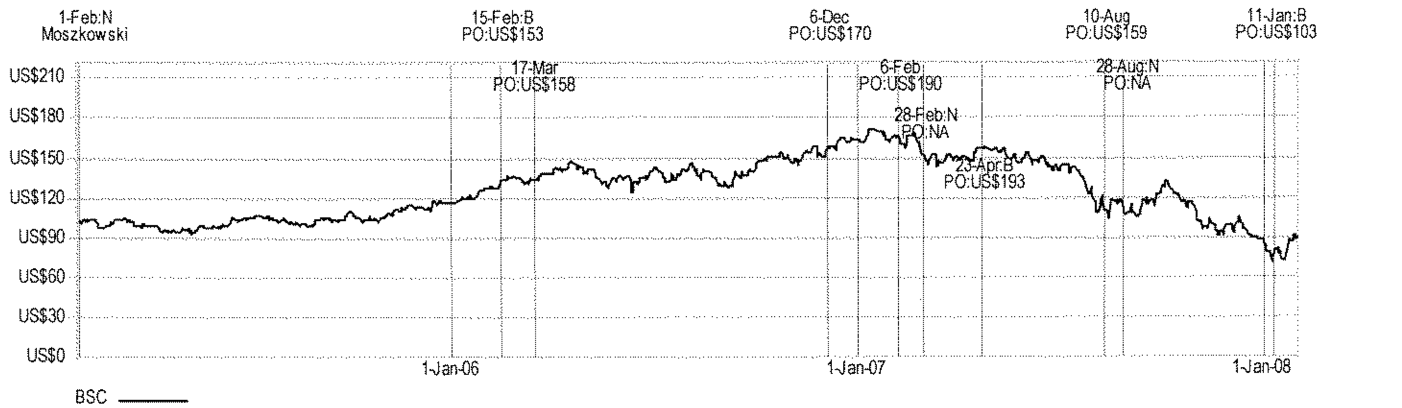
BSC Price Chart



B : Buy, N : Neutral, S : Sell, PO : Price objective, NA : No longer valid

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark Grey shading indicates the security is restricted with the opinion suspended. Light Grey shading indicates the security is under review with the opinion withdrawn. Chart current as of January 31, 2008 or such later date as indicated.

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Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	123	40.33%	Buy	47	39.83%
Neutral	161	52.79%	Neutral	74	48.37%
Sell	21	6.89%	Sell	6	28.57%

Investment Rating Distribution: Global Group (as of 01 Jan 2008)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1714	46.25%	Buy	445	29.10%
Neutral	1653	44.60%	Neutral	454	30.55%
Sell	339	9.15%	Sell	67	21.82%

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Steel, Robert

From: Sirri, Erik R. [SirriE@sec.gov]

Sent: Friday, March 14, 2008 9:16 AM

To: Steel, Robert; timothy.geithner@ny.frb.org

We're trying to jump in on a conf call but have a bad passcode. Number is 888-557-8511. What is code?

Erik R. Sirri
SEC, Div. of Trading and Markets
sirrie@sec.gov (202) 551-5500

Appleton, Jesse

From: West, Christal
Sent: Friday, March 14, 2008 9:33 AM
To: Ryan, Tony
Subject: RE: Bear Stearns Announcement - fyi

thank you!

From: Ryan, Tony
Sent: Friday, March 14, 2008 9:33 AM
To: West, Christal
Subject: FW: Bear Stearns Announcement - fyi
Importance: High

Subject: Bear Stearns Announcement
Importance: High

09:21 14Mar08 BSW-Bear Stearns Agrees to Secured Loan Facility with JPMorgan Chase <BSC.N>
NEW YORK--(Business Wire)--The Bear Stearns Companies Inc. announced today it reached anagreement with JPMorgan Chase & Co. (JPMC) to provide a secured loanfacility for an initial period of up to 28 days allowing Bear Stearnsto access liquidity as needed. Bear Stearns also announced that it istalking with JPMorgan Chase & Co. regarding permanent financing orother alternatives.

Alan Schwartz, president and chief executive officer of The BearStearns Companies Inc., said, "Bear Stearns has been the subject of amultitude of market rumors regarding our liquidity. We have tried toconfront and dispel these rumors and parse fact from fiction.Nevertheless, amidst this market chatter, our liquidity position inthe last 24 hours had significantly deteriorated. We took thisimportant step to restore confidence in us in the marketplace,strengthen our liquidity and allow us to continue normal operations."

The company can make no assurance that any strategic alternativeswill be successfully completed.

About Bear Stearns

Founded in 1923, The Bear Stearns Companies Inc. (NYSE: BSC) is aleading financial services firm serving governments, corporations,institutions and individuals worldwide. The Company's core businesslines include institutional equities, fixed income, investmentbanking, global clearing services, asset management, and privateclient services. Headquartered in New York City, the Company hasapproximately 14,000 employees worldwide. For additional informationabout Bear Stearns, please visit the firm's website atwww.bearstearns.com.

Certain statements contained in this discussion are"forward-looking statements" within the meaning of the PrivateSecurities Litigation Reform Act of 1995. Such forward-lookingstatements are subject to risks and uncertainties, which could causeactual results to differ materially from those discussed in theforward-looking statements. For a discussion of the risks anduncertainties that may affect the company's future results, please see"Management's Discussion and Analysis of Financial Condition andResults of Operations" and "Risk Management" in the company's 2008Annual Report on Form 10-K which has been filed with the Securitiesand Exchange Commission.

The Bear Stearns Companies Inc.Elizabeth Ventura, 212-272-9251eventura@bear.comorRussell Sherman, 212-272-5219russellsherman@bear.com

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For Relevant Price Information, Double Click on one of these codes:<BSC.N>
Friday, 14 March 2008 09:21:02BSW [nBw145441a] {EN}ENDS

Scogin, Matthew

From: Market Room
Sent: Friday, March 14, 2008 9:37 AM
Subject: UPDATE: Initial Reaction to Bear Stearns liquidity plan

Initial reaction to Bear Stearns liquidity plan

- Credit spreads are tighter with the iTraxx IG 8bps tighter to 151bps, the higher yielding crossover is 16bps tighter to 607bps
- Equities are flat – S&P unchanged however, Bear Stearns shares now down 8.5% though Bear CDS spreads narrowed 200bps
- Swap spreads are tighter with 2-yr 6bps tighter, 10-yr spreads 3bps tighter
- Mortgage spreads tightened 8bps to 135bps

DJIA	12145.66	0.02	%
S&P	1314.64	-0.06	%
NASDAQ	2268.33	0.21	%
FTSE	5776.5	1.48	%
Nikkei	12241.6	-1.54	%
1-Month Tsy	1.506	-5.11	bps
3-Month Tsy	1.326	-3.09	bps
3-month LIBOR	2.76375	-3.63	bps
2-yr Tsy	1.576	-5.03	bps
10-yrTsy	3.449	-7.69	bps
2-yr SwSpr	83.625	-6.13	bps
10-yr SwSpr	68.7375	-2.26	bps
30-yr Conf Mtge	135.541	-7.74	bps
10-yr Gilt	4.373	0.90	bps
10-yr Bund	3.776	1.60	bps
10-yr JGB	1.275	-1.50	bps
Oil NMX WTI	$109.89	-$0.44	
Gold Spot	$994.47	-$0.36	
$/Euro	$1.5596	-0.26	%
Yen/$	100.31	-0.34	%
Yen/Euro	156.53	-0.56	%

JPMorgan Chase and Federal Reserve Bank of New York To Provide
2008-03-14 09:13 (New York)

Financing To Bear Stearns

NEW YORK--(BUSINESS WIRE)--March 14, 2008 Today, JPMorgan Chase & Co. (NYSE: JPM) announced that, in conjunction with the Federal Reserve Bank of New York, it has agreed to provide secured funding to Bear Stearns, as necessary, for an initial period of up to 28 days. Through its Discount Window, the Fed will provide non-recourse, back-to-back financing to JPMorgan Chase.
Accordingly, JPMorgan Chase does not believe this transaction exposes its shareholders to any material risk. JPMorgan Chase is working closely with Bear Stearns on securing permanent financing or other alternatives for the company.

JPMorgan Chase & Co. (NYSE: JPM) is a leading global financial services firm with assets of $1.6 trillion and operations in more than 60 countries. The firm is a leader in investment banking, financial services for consumers, small business and commercial banking, financial transaction processing, asset management, and private equity. A component of the Dow Jones Industrial Average, JPMorgan Chase serves millions of consumers in the United States and many of the world's most prominent corporate, institutional and government clients under its JPMorgan and Chase brands. Information about the firm is available at www.jpmorganchase.com.

Stoltzfoos, Jeffrey

From: McLaughlin, Brookly
Sent: Friday, March 14, 2008 9:41 AM
To: _DL_FYI
Subject: (BN) JPMorgan, New York Fed Agree to Fund Bear Stearns (Upda

JPMorgan, New York Fed Agree to Fund Bear Stearns (Update1)
2008-03-14 09:39 (New York)

By Yalman Onaran

March 14 (Bloomberg) -- JPMorgan Chase & Co. and the New York Federal Reserve agreed to provide funding to Bear Stearns Cos. as the securities firm said its cash position has ``significantly deteriorated.''

The New York Fed will ``provide non-recourse, back-to- back'' financing for up to 28 days, JPMorgan said in a statement today. Bear Stearns fell $2.67, or 4.7 percent, to $54.33 at
9:37 a.m. in New York Stock Exchange composite trading. The shares are down almost 40 percent this year.

``Bear Stearns has been the subject of a multitude of market rumors regarding our liquidity,'' Chief Executive Officer Alan Schwartz said today in a separate statement. ``We have tried to confront and dispel these rumors and parse fact from fiction. Nevertheless, amidst this market chatter, our liquidity position in the last 24 hours had significantly deteriorated.''

Bear Stearns had denied this week that it faced a cash shortage, saying the company's ``liquidity cushion'' is sufficient to weather the credit-market contraction.

--Editors: Otis Bilodeau, Steve Dickson

To contact the reporter on this story:
Yalman Onaran in New York at +1-212-617-6984 or yonaran@bloomberg.net.

To contact the editor responsible for this story:
Otis Bilodeau at 212-617-3921 or obilodeau@bloomberg.net.

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-0- Mar/14/2008 13:39 GMT

Foley, Trip

From: NYTimes.com [nytdirect@nytimes.com]
Sent: Friday, March 14, 2008 9:57 AM
To: Foley, Trip
Subject: DealBook: Pandit's Price Tag, All Told: $216 Million

To view the latest DealBook headlines on your mobile device, go to: http://mobile.nytimes.com/blogs/dealbook

DealBook

Edited by Andrew Ross Sorkin

The New York Times

TODAY'S TOP HEADLINES | Friday, March 14, 2008

M & A: Evraz to Pay $4 Billion for SSAB Units
BANKING: Trader Tells Prosecutors Boss Saw Illicit Deal
PRIVATE EQUITY: Carlyle's Rubestein Vows to 'Make Amends'
HEDGE FUNDS: Jana Wins in Delaware Court
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VENTURE CAPITAL: Spitzer Scandal Boosts Music Startup
LEGAL: Testifying in Suit by Liberty, Diller Defends Spinoff Plan

TOP STORY

Pandit's Price Tag, All Told: $216 Million

Citigroup chief executive Vikram S. Pandit received at least $216 million last year for taking over as chief executive of the embattled bank, according to data from its latest proxy statement. That sum includes the $165.2 million he got from the sale of **Old Lane Partners**, the investment firm Citi bought to lure him to the company.

Separately, CNBC's Charles Gasparino reported that Mr. Pandit has recently been consulting with John Reed, the former Citi co-C.E.O. who was pushed out in 2000, about ways to fix the consumer end of Citi's business.

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Go to Citi's Proxy Statement»
Go to Video from CNBC»

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Larry Ellison may deserve much of the credit for breaking down Silicon Valley's stigma on hostile bids. More»

Spitzer Schadenfreude

Many Wall Streeters were taking pleasure in the scandal around New York's governor, who aggressively policed the Street in his previous job. (146 comments) More»

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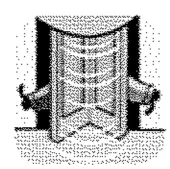

The latest hires, promotions and departures at Goldman, Bear, Cowen and more. More»

The Deal Professor

THE DEAL PROFESSOR

A blog-within-a-blog that looks at mergers, private equity and corporate governance through a legal lens, written by Steven M. Davidoff, a professor at Wayne State University Law School and a former lawyer at Shearman &

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MERGERS & ACQUISITIONS

Back to Top

Evraz Group, the steelmaker whose owners include Russian billionaire Roman Abramovich, said Thursday it will buy **SSAB Svenskts Staal**'s North American assets for $4.03 billion.

Go to Article from Bloomberg News»

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AOL's $850 million deal to buy social-networking site **Bebo** is just the latest and most expensive in a string of acquisitions for the struggling Time Warner unit. PEHub.com looks at how **Balderton Capital**, a Bebo investor, fared in the deal.

Go to Article from DealBook»
Go to Article from The New York Times»
Go to Item from PEHub.com»

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Electronic Arts, which on Thursday began a direct tender offer to shareholders of **Take-Two Interactive**, is negotiating with a group of shareholders much different from what it would have faced a month ago. The Deal Professor discusses why the tender offer only looks "semi-hostile."

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Go to Item from The Deal Professor»

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Microsoft and **Yahoo** are holding informal merger discussions, marking a shift from the "radio silence" that previously existed between the two companies,

Sterling. More»

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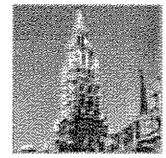
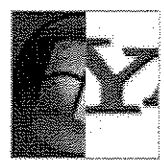
Some of the biggest names in private equity gathered in Munich to share strategies for weathering the industry's recent downturn. More»



DealBook Talks Yahoo
DealBook's Andrew Ross Sorkin discussed Microsoft's offer for the Internet giant on "Charlie Rose." Watch here. More»

Microsoft's Yahoo Bid
Full coverage of Microsoft's unsolicited $44.6 billion offer for Yahoo, what it means and how it might play out. More»



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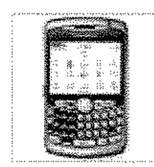

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News By Industry

according to several news reports.

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Go to Article from Thomson Financial via CNN Money»

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CBS chief executive Les Moonves said Thursday that he's prepared to buy more media content companies and confirmed that CBS has requested more information about **The Weather Channel**, which is up for sale.

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Italian utility **Enel** on Thursday unveiled plans to sell assets worth up to 15 billion euros ($22 billion) to help offset the costs of acting as a white knight for Spain's **Endesa** last year, as well as a recent expansion in Russia.

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Should **Comcast** chief Brian L. Roberts risk Wall Street's wrath, acquire a big entertainment company, and take one more shot at media moguldom?

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Online ad network **Specific Media** has acquired British display ad network **Adviva**. Terms of the deal were not disclosed.

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After a year and a half-long political and corporate battle, the Canada Pension Plan Investment Board has won shareholder approval for its 1.4 billion Canadian dollar bid for a significant stake in New Zealand's largest airport.

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Sinosteel of China has launched a hostile, all-cash offer for Australian iron ore prospector **Midwest** in a deal that values Midwest at 1.2 billion Australian dollars, or $1.1 billion, as it aims to lock up scarce iron ore supplies.

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INVESTMENT BANKING

Back to Top

Jerome Kerviel, the former trader at the bank **Societe Generale**, has told French investigators that an assistant on his desk conducted at least one large fictitious transaction last spring on their boss's computer -- as the boss looked on, according to a court document obtained on Thursday by The International Herald Tribune.

Go to Article from The International Herald Tribune via The New York Times»

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Investors wiped another 7 percent or so off **Bear Stearns'** stock price on Thursday, amid concern that the smallest of the well-known Wall Street investment banks -- and the most reliant on income from mortgage-related instruments -- might run out of cash to pay its trading and financing partners.

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Michael Zaoui, chair of European mergers and acquisitions at **Morgan Stanley**, is retiring from the firm. Read the internal memo on DealBook.

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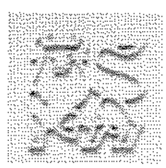

Merrill Lynch, the third-largest U.S. securities firm, has agreed to pay about $4.5 million to settle a lawsuit claiming it misled investors in the defunct health-care company **DVI**, the plaintiffs' attorneys said.

Go to Article from Bloomberg News via The Philadelphia Inquirer»

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Bear Stearns has hired Darius Yuen from French bank **BNP Paribas** to head the New York investment bank's equity capital markets group in Asia, a spokeswoman told Reuters on Friday.

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PRIVATE EQUITY

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David M. Rubenstein, co-founder of the **Carlyle**

Group, pledged on Thursday to "make amends" to investors in a fund that has ties to his firm and is facing collapse. He told The Washington Post he was "angry with myself" but added that most funds of its kind were under tremendous stress.

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Go to Article from The Washington Post»

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Several private equity firms have dropped out of the bidding for **Zagat Survey** due to the restaurant guide publisher's high price demands, according to The Deal.com.

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Silver Lake, the technology-focused private equity firm, said Thursday that it has hired John Brennan, a former **Adobe Systems** executive, as a managing director at its middle-market arm.

Go to Silver Lake Press Release via Business Wire»

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HEDGE FUNDS

Back to Top

A court in Delaware ruled Thursday that a group of activist investors led by **Jana Partners** can nominate seven directors to the board of **CNet Networks**, one of the original online media companies.

Go to Article from The New York Times»

The decision held the potential to be an expansive evaluation of CNet's bylaws, but stuck to a very narrow focus, according to The Deal Professor.

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Halcyon Asset Management said Thursday that it plans to become the latest hedge fund to go public in the United States by merging with a blank-check company, in a deal that values the firm at $974 million.

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Go to Halcyon Asset Management Press Release»

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As proxy season gets under way, 82 activist campaigns have been announced this year to date,

compared with 69 in the same period last year, according to FactSet Sharkwatch.

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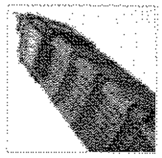

London's embattled hedge fund community is reportedly bracing for a spate of blow-ups in the wake of yesterday's $16 billion debt default by **Carlyle Capital Corporation**, the Dutch-listed affiliate of private equity firm the **Carlyle Group**.

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Duration Capital, one of several hedge funds forced to sell hundreds of millions of dollars of municipal bonds when their bets went awry, is severing its links with its main prime broker, **JPMorgan Chase**, according to Reuters.

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Edward Lampert, the billionaire investor who is also chairman of **Sears Holdings**, has raised his stake in auto retailer **AutoNation** to 37.2 percent.

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I.P.O. / OFFERING

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Visa's blockbuster initial public offering is currently oversubscribed for its expected trading debut on March 20, Scott Sweet of analyst firm IPO Boutique told MarketWatch.

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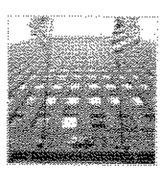

Goldman Sachs may be jumping into the business of underwriting special-purpose acquisition companies, or SPACs, but with a different spin on the usual structure.

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Stepping up its efforts to fight fraud involving microcap stocks, the

S.E.C. on Thursday temporarily suspended trading of 26 companies, saying they appeared to be involved in "corporate hijacking."

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Xu Jiayin, the 49-year-old owner of **Evergrande Real Estate**, will be worth as much as $7.1 billion if his company prices its I..P.O at the top of its price range, and he is likely to be worth even more after its debut on the Hong Kong stock exchange at the end of March.

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Shares in **LG Display**, the flat-screen joint venture of **LG Electronics** and **Royal Dutch Philips**, fell nearly 9 percent Thursday after Philips sold about $1 billion worth of shares in the venture at the bottom of its pricing range.

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Go to Article from Finance Asia via BusinessWeek»

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VENTURE CAPITAL

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Fascination with Ashley Alexandra Dupre, whose alleged liaison with Eliot Spitzer led to his downfall, has given an unexpected boost to **AmieStreet.com**, an online music start-up backed by **Amazon.com**.

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Software start-up **ShareThis** has raised a $15 million Series B round from Sand Hill Road venture capital firm **Draper Fisher Jurvetson**.

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Zivity said it landed $7 million from **BlueRun Ventures** and the **Founders Fund**, which VentureWire said was a rare example of a sexually suggestive start-up getting mainstream venture funding.

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On Thursday, **Hummer Winblad Venture Partners**' Will Price left his post as general partner to join **Widgetbox**, an operator of a widget community, as its chief executive officer, according to CNet News.com.

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Benchmark Capital and **Salesforce.com** founder Marc Benioff have teamed up to invest $6.5 million in online subscription software company **Zuora**, which launched its Web site Thursday.

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Who's to blame for Carl C. Icahn's seemingly bad bet on **Motricity**, a stumbling wireless content startup? According to the billionaire investor, it's someone very close to him.

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LEGAL

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The chief executive of **IAC/InterActiveCorp**, Barry Diller, testified Thursday that his plan to break up the media conglomerate was in the best interests of shareholders.

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The vice chairman of the **International Securities Exchange**, an options and stock exchange in New York, was charged with insider trading on Thursday, accused of leaking confidential information about the $2.8 billion takeover of the market last year.

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A federal jury convicted five former executives of a health care finance company on Thursday in a $1.9 billion scheme to defraud investors.

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An employee of **Societe Generale** has been freed by police, the day after he was arrested in connection with a probe into a rogue trading scandal at the bank, the Paris prosecutor's office said Thursday.

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Before she was first lady or senator, Hillary Clinton was a corporate lawyer. In fact, she spent the longest stretch of her professional life in a corporate law firm -- which explains a lot, says Susan Lehman, writing in The American Lawyer.

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In a major change at the top of one Chicago's white-shoe law firms, **Jenner & Block** has named Susan Levy as its new managing partner, replacing Gregory Gallopoulos who will join defense contractor **General Dynamics**.

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Scogin, Matthew

From: Market Room
Sent: Friday, March 14, 2008 10:03 AM
Subject: Update: Markets react to Bear/JPMorgan News

- Equities are broadly lower – S&P down 1.58% with financial shares 1.86% lower
- JPMorgan shares down 3.60% CDS spreads widened 45bps to 200bps; Bear shares down 40% though its CDS are still 156bps tighter to 530bps; Citigroup down 2.6%, GS down 3.3%, Lehman down 9.5%
- Mortgage spreads are still tighter, 30-yr conforming spread to Treasury down 11bps to 132.35

DJIA	11947.67	-1.65	%
S&P	1290.44	-1.92	%
NASDAQ	2222.85	-1.84	%
FTSE	5736.7	0.74	%
Nikkei	12241.6	-1.54	%
1-Month Tsy	1.364	-19.37	bps
3-Month Tsy	1.305	-5.13	bps
3-month LIBOR	2.76375	-3.63	bps
2-yr Tsy1.438	-19.60	bps	
10-yrTsy	3.403	-12.36	bps
2-yr SwSpr	89.9375	0.19	bps
10-yr SwSpr	70.1875	0.25	bps
30-yr Conf Mtge	133.335	-9.95	bps
10-yr Gilt	4.337	-2.90	bps
10-yr Bund	3.721	-4.30	bps
10-yr JGB	1.275	-1.50	bps
Oil NMX WTI	$109.92	-$0.45	
Gold Spot	$999.51	$5.15	
$/Euro	$1.5635	0.04	%
Yen/$	99.88	-0.78	%
Yen/Euro	156.21	-0.70	%

Corporate Bond Risk Drops on Bear Stearns Funding Agreement
2008-03-14 09:35 (New York)

By Shannon D. Harrington

March 14 (Bloomberg) -- The cost to protect corporate debt from default dropped as JPMorgan Chase & Co. and the New York Federal Reserve agreed to provide funding to Bear Stearns Cos.
for up to 28 days.

Credit-default swaps on the benchmark CDX North America Investment-Grade Index fell 11 basis points to 177 basis points as of 9:27 a.m. in New York, according to broker Phoenix Partners Group. Contracts on New York-based Bear Stearns, the second- biggest underwriter of mortgage-backed bonds, plunged as much as 156 basis points to 530 basis points, Phoenix prices show.

Credit-default swaps are financial instruments based on bonds and loans that are used to speculate on a company's ability to repay debt. They pay the buyer face value in exchange for the underlying securities or the cash equivalent should a borrower fail to adhere to its debt agreements. A decline indicates improvement in the perception of credit quality; an increase, the opposite.

--Editors: Alan Goldstein, Romaine Bostick

Scogin, Matthew

From: Market Room
Sent: Friday, March 14, 2008 10:35 AM
Subject: Update: Fed statement on Bear

- The Fed released the statement that it "...is monitoring market developments closely and will continue to provide liquidity as necessary to promote the orderly functioning of the financial system. The Board voted unanimously to approve the arrangement announced by JPMorgan Chase and Bear Stearns this morning."
- Equities are still sharply lower but have recovered somewhat with the S&P now down 1.40%, though financials are now off 5.07%
- Bear Stearns CDS are now 48bps wider to 730bps after tightening over 200bps earlier; default swap indices are moving wider - CDX IG +5bps to 192bps CDX, crossover +2bps to 443bps
- Swap spreads are now wider as the 2s/10s Treasury curve has steepened to 195bps, 2-yr notes initially rallied 22bps but are now down 16bps to 1.471%

DJIA	12031.68	-1.11	%
S&P	1297.41	-1.43	%
NASDAQ	2236.01	-1.25	%
FTSE	5640.9	-0.83	%
Nikkei	12241.6	-1.54	%

1-Month Tsy	1.323	-23.45	bps
3-Month Tsy	1.285	-7.18	bps
3-month LIBOR	2.76375	-3.63	bps
2-yr Tsy	1.471	-15.55	bps
10-yrTsy	3.421	-10.49	bps
2-yr SwSpr	90.00	0.80	bps
10-yr SwSpr	72.25	1.25	bps
30-yr Conf Mtge	136.131	-7.15	bps
10-yr Gilt	4.326	-3.40	bps
10-yr Bund	3.731	-2.60	bps
10-yr JGB	1.275	-1.50	bps

Oil NMX WTI	$110.74	$0.45	
Gold Spot	$1,003.53	$8.63	
$/Euro	$1.5640	0.02	%
Yen/$	100.09	-0.56	%
Yen/Euro	156.55	-0.51	%

Release Date: March 14, 2008

For immediate release

The Federal Reserve is monitoring market developments closely and will continue to provide liquidity as necessary to promote the orderly functioning of the financial system. The Board voted unanimously to approve the arrangement announced by JPMorgan Chase and Bear Stearns this morning.

Stoltzfoos, Jeffrey

From: McLaughlin, Brookly
Sent: Friday, March 14, 2008 11:01 AM
To: _DL_FYI
Subject: (BN) Fed `Closely' Watching Markets, Has Paulson's Backing (

Fed `Closely' Watching Markets, Has Paulson's Backing (Update1)
2008-03-14 10:57 (New York)

(Adds comments from Paulson in first and fourth paragraphs.)

By Vincent Del Giudice

March 14 (Bloomberg) -- The Federal Reserve Board said it is monitoring disruptions in capital markets and will act as necessary to promote an orderly financial system. Treasury Secretary Henry Paulson expressed support for the central bank's ``leadership.''

The Fed in Washington, in a statement, said it ``is monitoring market developments closely and will continue to provide liquidity as necessary to promote the orderly functioning of the financial system.''

The statement also said the Fed ``voted unanimously to approve the arrangement announced by JPMorgan Chase and Bear Stearns this morning.''

Bear Stearns Cos. obtained emergency funding from JPMorgan Chase & Co. and the New York Federal Reserve as the securities firm said its cash position had ``significantly deteriorated.''

Paulson, in a statement issued 20 minutes after the Fed's release, said ``there are challenges in our financial markets, and we continue to address them.'' He said the Treasury is ``working closely'' with the Fed and the Security and Exchange Commission.

``I appreciate the leadership of the Federal Reserve in enhancing the stability and orderliness of our markets,''
Paulson said. ``Our financial system is flexible and resilient and I am confident that the efforts of regulators and market participants will minimize disruption to the system.''

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WASHINGTON (Thomson Financial) - Treasury Secretary **Henry Paulson** said this morning that he was confident that the US financial markets will survive the latest disruption.

"Our financial system is flexible and resilient and I am confident that the efforts of regulators and market participants will minimize disruption to the system," the said in a statement.

Paulson did not mention the problems at Bear Stearns or its agreement with JP Morgan Chase specifically, but said "this is another challenge that market participants and regulators are addressing," and Treasury is working closely with the Fed and the Securities and Exchange Commission.
"I appreciate the leadership of the Federal Reserve in enhancing the stability and orderliness of our markets," he said.
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