

Steel, Robert

From: Foley, Trip
Sent: Saturday, March 15, 2008 5:08 PM
To: Foley, Trip; Steel, Robert; Nason, David; Ryan, Tony; 'patrick.m.parkinson@frb.gov'; 'kevin.m.warsh@frb.gov'; 'Timothy.Geithner@ny.frb.org'; 'Terrence.Checki@ny.frb.org'; 'SirriE@sec.gov'; 'william.dudley@ny.frb.org'; 'colbyr@sec.gov'; Stoltzfoos, Jeffrey; Norton, Jeremiah; Appleton, Jesse; Hoyt, Robert; Kashkari, Neel
Subject: RE: Follow-up Conference Call 3/15/08
Importance: High

We would like to hold a follow-up conference call at 6:00pm today. The dial-in information is below:

202-927-2255

PIN: (b) (2)

From: Foley, Trip
Sent: Saturday, March 15, 2008 3:28 PM
To: Steel, Robert; Nason, David; Ryan, Tony; patrick.m.parkinson@frb.gov; kevin.m.warsh@frb.gov; Timothy.Geithner@ny.frb.org; Terrence.Checki@ny.frb.org; SirriE@sec.gov; william.dudley@ny.frb.org; colbyr@sec.gov; Stoltzfoos, Jeffrey; Norton, Jeremiah; Appleton, Jesse; Hoyt, Robert
Subject: Follow-up Conference Call 3/15/08

As a reminder, we will schedule a follow-up conference call at either 6pm or 10pm on Saturday March 15th. We will confirm the time by 5pm.

Dial-in information is below:

202-927-2255

PIN: (b) (2)

Trip Foley

Special Assistant to the
Under Secretary for Domestic Finance

U.S. Department of the Treasury
1500 Pennsylvania Ave, NW
Washington, DC 20220
(T): 202-622-1258 | (F): 202-622-2362
Email: trip.foley@do.treas.gov

Smith, Bernetta

From: Kashkari, Neel
Sent: Saturday, March 15, 2008 5:57 PM
To: Steel, Robert
Subject: Re: Can we push the update call back to 630 or 10?

Ok

----- Original Message -----

From: Steel, Robert
To: Kashkari, Neel
Sent: Sat Mar 15 17:56:40 2008
Subject: Re: Can we push the update call back to 630 or 10?

I think too many people involved.. Join when you can.

----- Original Message -----

From: Kashkari, Neel
To: Steel, Robert
Sent: Sat Mar 15 17:46:59 2008
Subject: Can we push the update call back to 630 or 10?

Just met with jpm. Mtg with bear / rodg now. Will free up at 630.

Valentic, Marsha

Subject: Conference Call
Location: 202-927-2255 | PIN (b) (2)

Start: Sat 3/15/2008 6:00 PM
End: Sat 3/15/2008 6:30 PM
Show Time As: Tentative

Recurrence: (none)

Meeting Status: Not yet responded

Required Attendees: Steel, Robert; Nason, David; Ryan, Tony; Kashkari, Neel; Stoltzfoos, Jeffrey; Appleton, Jesse; Norton, Jeremiah; Hoyt, Robert

Steel, Robert

From: Foley, Trip
Sent: Saturday, March 15, 2008 8:12 PM
To: Steel, Robert; Nason, David; Ryan, Tony; 'patrick.m.parkinson@frb.gov'; 'kevin.m.warsh@frb.gov'; 'Timothy.Geithner@ny.frb.org'; 'Terrence.Checki@ny.frb.org'; 'SirriE@sec.gov'; 'william.dudley@ny.frb.org'; 'colbyr@sec.gov'; Stoltzfoos, Jeffrey; Norton, Jeremiah; Appleton, Jesse; Hoyt, Robert; Kashkari, Neel
Subject: Reminder: 10pm Conference Call

As a reminder, there will be a follow-up conference call at 10:00pm tonight. Dial-in information is below:

202-927-2255

PIN: (b) (2)

Trip Foley
Special Assistant to the
Under Secretary for Domestic Finance

U.S. Department of the Treasury
1500 Pennsylvania Ave, NW
Washington, DC 20220
(T): 202-622-1258 | (F): 202-622-2362
Email: trip.foley@do.treas.gov

Foley, Trip

From: Foley, Trip
Sent: Saturday, March 15, 2008 8:21 PM
To: Norton, Jeremiah
Subject: RE:

ha - well, i finally put 2 and 2 together after I heard!

-----Original Message-----

From: Norton, Jeremiah
Sent: Saturday, March 15, 2008 8:16 PM
To: Foley, Trip
Subject: Re:

U mean that he was up there? That's why we were gathering bsc research last night

----- Original Message -----

From: Foley, Trip
To: Norton, Jeremiah
Sent: Sat Mar 15 20:16:47 2008
Subject: RE:

you can say that again.

I had no idea about Neal.....

-----Original Message-----

From: Norton, Jeremiah
Sent: Saturday, March 15, 2008 8:14 PM
To: Foley, Trip
Subject:

Pretty interesting day...

Smith, Bernetta

From: Nason, David
Sent: Saturday, March 15, 2008 10:23 PM
To: Steel, Robert; Kashkari, Neel; Ryan, Tony
Subject: Re:

Awesome. TG seemed pretty relaxed.

David G. Nason
Department of the Treasury
202.622.2610

----- Original Message -----

From: Steel, Robert
To: Kashkari, Neel; Nason, David; Ryan, Tony
Sent: Sat Mar 15 22:22:36 2008
Subject: Re:

Tim confirmed that to the group

I spoke to JPM director also who was similarly oriented they are trying to move their meetibg earlier in the day

----- Original Message -----

From: Kashkari, Neel
To: Steel, Robert; Nason, David
Sent: Sat Mar 15 22:18:43 2008
Subject:

I heard from both hank and tim that the deal is basically agreed to... Details remain.

Valentic, Marsha

Subject: Conference Call
Location: 202-927-2255 | PIN (b) (2)

Start: Sat 3/15/2008 10:00 PM
End: Sat 3/15/2008 10:30 PM
Show Time As: Tentative

Recurrence: (none)

Meeting Status: Not yet responded

Required Attendees: Steel, Robert; Nason, David; Ryan, Tony; Kashkari, Neel; Stoltzfoos, Jeffrey; Appleton, Jesse; Norton, Jeremiah; Hoyt, Robert

Foley, Trip

From: Foley, Trip
Sent: Saturday, March 15, 2008 10:30 PM
To: Nason, David; Steel, Robert; Ryan, Tony; Norton, Jeremiah; Appleton, Jesse; Stoltzfoos, Jeffrey
Subject: DF Internal call
Importance: High

Please dial-in for an internal DF team call at 10:30pm.

202-927-2255

PIN (b) (2)

Trip Foley

Special Assistant to the
Under Secretary for Domestic Finance

U.S. Department of the Treasury
1500 Pennsylvania Ave, NW
Washington, DC 20220
(T): 202-622-1258 | (F): 202-622-2362
Email: trip.foley@do.treas.gov

Steel, Robert

From: Steel, Robert
Sent: Saturday, March 15, 2008 10:43 PM
To: Foley, Trip
Subject: Re: Conference Call: 10AM Sunday

Thx again Trip..

----- Original Message -----

From: Foley, Trip
To: Steel, Robert; Nason, David; Ryan, Tony; 'patrick.m.parkinson@frb.gov' <patrick.m.parkinson@frb.gov>; 'kevin.m.warsh@frb.gov' <kevin.m.warsh@frb.gov>; 'Timothy.Geithner@ny.frb.org' <Timothy.Geithner@ny.frb.org>; 'Terrence.Checki@ny.frb.org' <Terrence.Checki@ny.frb.org>; 'SirriE@sec.gov' <SirriE@sec.gov>; 'william.dudley@ny.frb.org' <william.dudley@ny.frb.org>; 'colbyr@sec.gov' <colbyr@sec.gov>; Stoltzfoos, Jeffrey; Norton, Jeremiah; Appleton, Jesse; Hoyt, Robert; Kashkari, Neel
Sent: Sat Mar 15 22:43:59 2008
Subject: Conference Call: 10AM Sunday

A follow-up conference call has been scheduled for 10:00AM on Sunday morning. The dial-in information is below.

202-927-2255

PIN: (b) (2)

Trip Foley
Special Assistant to the
Under Secretary for Domestic Finance

U.S. Department of the Treasury
1500 Pennsylvania Ave, NW
Washington, DC 20220
(T): 202-622-1258 | (F): 202-622-2362
Email: trip.foley@do.treas.gov

Steel, Robert

From: Foley, Trip
Sent: Saturday, March 15, 2008 10:45 PM
To: Steel, Robert
Subject: RE: Conference Call: 10AM Sunday

No problem. Let me know if there is anything else I can do to help.

-----Original Message-----

From: Steel, Robert
Sent: Saturday, March 15, 2008 10:43 PM
To: Foley, Trip
Subject: Re: Conference Call: 10AM Sunday

Thx again Trip..

----- Original Message -----

From: Foley, Trip
To: Steel, Robert; Nason, David; Ryan, Tony; 'patrick.m.parkinson@frb.gov' <patrick.m.parkinson@frb.gov>; 'kevin.m.warsh@frb.gov' <kevin.m.warsh@frb.gov>; 'Timothy.Geithner@ny.frb.org' <Timothy.Geithner@ny.frb.org>; 'Terrence.Checki@ny.frb.org' <Terrence.Checki@ny.frb.org>; 'SirriE@sec.gov' <SirriE@sec.gov>; 'william.dudley@ny.frb.org' <william.dudley@ny.frb.org>; 'colbyr@sec.gov' <colbyr@sec.gov>; Stoltzfoos, Jeffrey; Norton, Jeremiah; Appleton, Jesse; Hoyt, Robert; Kashkari, Neel
Sent: Sat Mar 15 22:43:59 2008
Subject: Conference Call: 10AM Sunday

A follow-up conference call has been scheduled for 10:00AM on Sunday morning. The dial-in information is below.

202-927-2255

PIN: (b) (2)

Trip Foley
Special Assistant to the
Under Secretary for Domestic Finance

U.S. Department of the Treasury
1500 Pennsylvania Ave, NW
Washington, DC 20220
(T): 202-622-1258 | (F): 202-622-2362
Email: trip.foley@do.treas.gov

Steel, Robert

From: Foley, Trip
Sent: Sunday, March 16, 2008 9:13 AM
To: Steel, Robert; Ryan, Tony; Nason, David
Cc: Norton, Jeremiah
Subject: NY Fed

Just got a call from Geithner's office saying that nobody from the Fed would be able to join the 10AM call. The assistant didn't give an explanation why.

Trip Foley
Special Assistant to the
Under Secretary for Domestic Finance

U.S. Department of the Treasury
1500 Pennsylvania Ave, NW
Washington, DC 20220
(T): 202-622-1258 | (F): 202-622-2362
Email: trip.foley@do.treas.gov

Foley, Trip

From: McLaughlin, Brookly
Sent: Sunday, March 16, 2008 9:25 AM
To: _DL_FYI
Subject: AP - Paulson says Fed made the right decision to help Baer Stearns

Paulson says Fed made the right decision to help Baer Stearns APRS000020080316e43g001mq By
JEANNINE AVERSA AP Economics Writer 110 Words
16 March 2008
13:21 GMT
Associated Press Newswires
English
(c) 2008. The Associated Press. All Rights Reserved.

WASHINGTON (AP) - Treasury Secretary Henry Paulson is defending the Federal Reserve's decision to help rescue Bear Stearns Co., the teetering Wall Street investment firm.

He says the Fed acted properly in "working with market participants to minimize the disruptions." The central bank on Friday stepped in to keep Bear afloat and prevent more damage to the nation's financial system if Bear's problems caused other financial firms to fall.

"When you go through a period like this," Paulson said in a broadcast interview Sunday, "policymakers need to balance various consequences."

Sent from my BlackBerry Wireless Handheld

Smith, Bernetta

From: McLaughlin, Brookly
Sent: Sunday, March 16, 2008 9:36 AM
To: Kashkari, Neel; Davis, Michele
Subject: Re: When does hank finish TV?

In about 30 mins.

Sent from my BlackBerry Wireless Handheld

----- Original Message -----

From: Kashkari, Neel
To: Davis, Michele; McLaughlin, Brookly
Sent: Sun Mar 16 09:35:49 2008
Subject: When does hank finish TV?

Thx

Foley, Trip

From: McLaughlin, Brookly
Sent: Sunday, March 16, 2008 9:50 AM
To: DL_FYI
Subject: Paulson: US 'To Do What It Takes' To Stabilize Fincl Sys-AFP

Paulson: US 'To Do What It Takes' To Stabilize Fincl Sys-AFP DJI0000020080316e43g0004h
94 Words
16 March 2008
13:32 GMT
Dow Jones International News
English
(c) 2008 Dow Jones & Company, Inc.

WASHINGTON (AFP)--Treasury Secretary Henry Paulson said Sunday the U.S. government was "prepared to do what it takes" to ensure the stability of the reeling financial system.

"The government is prepared to do what it takes to maintain the stability of our financial system," he said on Fox News Sunday after the Federal Reserve on Friday announced a plan, with JPMorgan Chase & Co. (JPM), to prop up U.S. investment giant Bear Stearns (BSC). [16-03-08 1344GMT]

Sent from my BlackBerry Wireless Handheld

Stoltzfoos, Jeffrey

Subject: Conference call
Location: 202-927-2255 | PIN (b) (2)
Start: Sun 3/16/2008 10:00 AM
End: Sun 3/16/2008 10:30 AM
Recurrence: (none)
Meeting Status: Accepted
Required Attendees: Steel, Robert; Nason, David; Ryan, Tony; Kashkari, Neel; Stoltzfoos, Jeffrey; Appleton, Jesse; Norton, Jeremiah; Hoyt, Robert

When: Sunday, March 16, 2008 10:00 AM-10:30 AM (GMT-05:00) Eastern Time (US & Canada).
Where: 202-927-2255 | PIN (b) (2)

~~*~*~*~*~*~*~*~*

Valentic, Marsha

Subject: Conference call
Location: 202-927-2255 | PIN (b) (2)
Start: Sun 3/16/2008 10:00 AM
End: Sun 3/16/2008 10:30 AM
Show Time As: Tentative
Recurrence: (none)
Meeting Status: Not yet responded
Required Attendees: Steel, Robert; Nason, David; Ryan, Tony; Kashkari, Neel; Stoltzfoos, Jeffrey; Appleton, Jesse; Norton, Jeremiah; Hoyt, Robert

Foley, Trip

From: McLaughlin, Brookly
Sent: Sunday, March 16, 2008 10:07 AM
To: _DL_FYI
Subject: Reuters - Treasury's Paulson says U.S. economy resilient

UPDATE 1-Treasury's Paulson says U.S. economy resilient LBA0000020080316e43g000ai 250
Words
16 March 2008
14:00 GMT
Reuters News
English
(c) 2008 Reuters Limited

(adds details)

WASHINGTON, March 16 (Reuters) - U.S. Treasury Secretary Henry Paulson on Sunday repeated comments that a strong dollar was in the U.S. interest and expressed confidence that financial markets would recover from their current turmoil.

In an interview with "Fox News Sunday" Paulson said U.S. markets were "resilient" and that he felt the \$152 billion economic stimulus plan would help lift the economy.

Paulson said the Bush administration continued to believe that "long-term economic strength is going to be reflected in the dollar."

Paulson also said the Federal Reserve made the right decision on Friday to come to the rescue of Bear Stearns, , the fifth largest investment bank. Paulson said it was important to minimize market disruptions and enhance confidence in the U.S. economy.

"I've got great confidence in our financial institutions," Paulson said. "Our markets are resilient."

He added that he had confidence U.S. economy would work its way through the current crises that began with a sharp downturn in the U.S. housing market leading to a full-blown credit crisis. (Reporting by Donna Smith; Editing by Jackie Frank) (donna.smith@reuters.com; 202-898-8391; Reuters Messaging: donna.smith.reuters.com@reuters.net)

Sent from my BlackBerry Wireless Handheld

Steel, Robert

From: Steel, Robert
Sent: Sunday, March 16, 2008 10:19 AM
To: Kashkari, Neel
Subject: Fw: Conference Call: 10AM Sunday

e mails below for Sirri and Colby..

----- Original Message -----

From: Foley, Trip
To: Steel, Robert; Nason, David; Ryan, Tony; 'patrick.m.parkinson@frb.gov' <patrick.m.parkinson@frb.gov>; 'kevin.m.warsh@frb.gov' <kevin.m.warsh@frb.gov>; 'Timothy.Geithner@ny.frb.org' <Timothy.Geithner@ny.frb.org>; 'Terrence.Checki@ny.frb.org' <Terrence.Checki@ny.frb.org>; 'SirriE@sec.gov' <SirriE@sec.gov>; 'william.dudley@ny.frb.org' <william.dudley@ny.frb.org>; 'colbyr@sec.gov' <colbyr@sec.gov>; Stoltzfoos, Jeffrey; Norton, Jeremiah; Appleton, Jesse; Hoyt, Robert; Kashkari, Neel
Sent: Sat Mar 15 22:43:59 2008
Subject: Conference Call: 10AM Sunday

A follow-up conference call has been scheduled for 10:00AM on Sunday morning. The dial-in information is below.

202-927-2255

PIN: (b) (2)

Trip Foley
Special Assistant to the
Under Secretary for Domestic Finance

U.S. Department of the Treasury
1500 Pennsylvania Ave, NW
Washington, DC 20220
(T): 202-622-1258 | (F): 202-622-2362
Email: trip.foley@do.treas.gov

Steel, Robert

From: Kashkari, Neel
Sent: Sunday, March 16, 2008 10:19 AM
To: Steel, Robert
Subject: Re: Conference Call: 10AM Sunday

Thx

----- Original Message -----

From: Steel, Robert
To: Kashkari, Neel
Sent: Sun Mar 16 10:19:07 2008
Subject: Fw: Conference Call: 10AM Sunday

e mails below for Sirri and Colby..

----- Original Message -----

From: Foley, Trip
To: Steel, Robert; Nason, David; Ryan, Tony; 'patrick.m.parkinson@frb.gov' <patrick.m.parkinson@frb.gov>; 'kevin.m.warsh@frb.gov' <kevin.m.warsh@frb.gov>; 'Timothy.Geithner@ny.frb.org' <Timothy.Geithner@ny.frb.org>; 'Terrence.Checki@ny.frb.org' <Terrence.Checki@ny.frb.org>; 'SirriE@sec.gov' <SirriE@sec.gov>; 'william.dudley@ny.frb.org' <william.dudley@ny.frb.org>; 'colbyr@sec.gov' <colbyr@sec.gov>; Stoltzfoos, Jeffrey; Norton, Jeremiah; Appleton, Jesse; Hoyt, Robert; Kashkari, Neel
Sent: Sat Mar 15 22:43:59 2008
Subject: Conference Call: 10AM Sunday

A follow-up conference call has been scheduled for 10:00AM on Sunday morning. The dial-in information is below.

202-927-2255

PIN: (b) (2)

Trip Foley
Special Assistant to the
Under Secretary for Domestic Finance

U.S. Department of the Treasury
1500 Pennsylvania Ave, NW
Washington, DC 20220
(T): 202-622-1258 | (F): 202-622-2362
Email: trip.foley@do.treas.gov

Smith, Bernetta

From: Kashkari, Neel
Sent: Sunday, March 16, 2008 10:32 AM
To: McLaughlin, Brookly
Subject: Re: Mktwatch - Paulson seeks to shore up financial confidence

Are you w hank? Is he free?

----- Original Message -----

From: McLaughlin, Brookly
To: _DL_FYI
Sent: Sun Mar 16 10:28:24 2008
Subject: Mktwatch - Paulson seeks to shore up financial confidence

Paulson seeks to shore up financial confidence

MRKWC00020080316e43g000p1

News & Commentary

Greg Robb, MarketWatch

MarketWatch; <mailto:grobbs@marketwatch.com>; Greg Robb is a senior reporter for MarketWatch in Washington.

432 Words

16 March 2008

14:18 GMT

MarketWatch

English

Copyright 2008 MarketWatch, Inc. All Rights Reserved.

WASHINGTON (MarketWatch) -- Treasury Secretary Henry Paulson went on Sunday national television news programs to try and shore up confidence in the U.S. financial system in the wake of the dramatic government-engineered rescue of Bear Stearns Cos.

"I've got great confidence in our financial market, our financial institutions. Our markets are resilient and flexible. Our institutions, our investment banks are strong," Paulson said in an interview on Fox News Sunday, the first of three scheduled interviews.

Paulson said he supported the bailout of Bear Stearns (BSC, US), put together by the Federal Reserve with the technical assistance of J.P. Morgan Chase & Co. (JPM, US) and announced early Friday.

Bear Stearns was forced to accept an extraordinary bailout package after being deserted by the clients and counterparties at the heart of the 85 year-old Wall Street firm's business. (RELATED ARTICLE: Bear Stearns goes on life support as trading crisis turns dire)

Paulson also stressed the White House stands "prepared to do what it takes to maintain the stability of our financial system."

"That is our top priority," he said.

Paulson said that the administration's been "all over" the economic downturn and that the economic-stimulus package recently signed into law by President Bush was a sign of proactive White House leadership.

The refund checks will be mailed in early May, Paulson noted, adding that this "is going to make a meaningful difference."

Paulson bristled at suggestions the Bush administration had not done enough to forestall the sharp economic slowdown that stemmed from a historic downturn in the nation's housing market.

"Can we outlaw the forces of gravity? How much can the government do?" he asked.

Paulson also repeated that a strong dollar was in the U.S. national interest.

Asked why he didn't take a more aggressive stance, Paulson replied: "We are ... advocating very strongly policies that are going to increase confidence in the U.S. economy."

The dollar hit new lows against the euro and the Swiss franc after the market digested news of the Bear Stearns bailout. (RELATED ARTICLE: Dollar falls to record lows vs. euro, Swiss franc after Bear news) See Currency coverage.

Sent from my BlackBerry Wireless Handheld

Foley, Trip

From: McLaughlin, Brookly
Sent: Sunday, March 16, 2008 10:59 AM
To: _DL_FYI
Subject: AP - Paulson says Fed made the right decision to help Bear Stearns

Paulson says Fed made the right decision to help Bear Stearns APRS000020080316e43g001pg By JEANNINE AVERSA AP Economics Writer
735 Words
16 March 2008
14:52 GMT
Associated Press Newswires
English
(c) 2008. The Associated Press. All Rights Reserved.

WASHINGTON (AP) - Treasury Secretary Henry Paulson on Sunday defended the Federal Reserve's decision to help rescue Bear Stearns Cos., the teetering Wall Street investment bank. He sidestepped questions about whether other firms are on shaky ground and the possibility of additional interventions of this kind.

At the same time, Paulson sought to send a calming message that the Bush administration is on top of the turbulent situation. "The government is prepared to do what it takes" to ease turmoil in the financial system and minimize any damage to the national economy, Paulson said during a series of broadcast interviews. The Fed's intervention "was not a difficult decision. It was the right decision."

The Fed, using a Depression-era procedure, raced to Bear Stearns' aid Friday along with JPMorgan Chase & Co. Bear Stearns had made a fortune in mortgage-backed securities but faced a possible collapse after those investments soured. Wall Street nose-dived as fears spread about whether other big firms were in jeopardy.

"When you go through a period like this," Paulson said, "policymakers need to balance various consequences."

Some critics contend that the Fed's move was akin to a government bailout -- something the Bush administration has repeatedly said it is against.

"Well, every situation is different. We have to respond to the circumstances we're facing today," Paulson said. "And my concern is to minimize the impact on the broader economy as we work our way through this situation, and again, the stability of our financial situation."

The financial system, he said, is "more fragile than we would like right now."

Asked whether other financial companies may be in a situation similar to Bear Stearns', Paulson did not directly answer. He did seek to strike a confident tone.

"Well, our financial institutions, our banks and investments banks are very strong," he said. "And I'm convinced that they're going to come out of this situation very strong."

Paulson would not discuss what would have happened if the government didn't extend a financial lifeline to Bear Stearns. "I'm not going to speculate about what ifs," he said.

Economists increasingly believe the spreading fallout from a severe credit crisis has pushed the country into its first recession since 2001. The situation has led to record-high home foreclosures, forced financial companies to take multibillion losses from bad mortgage-linked investments and rocked Wall Street.

"No one is debating the fact that this economy has slowed way down," Paulson said. "We feel it, we know it, the American people know it."

The government's economic relief package, including tax rebates for people and tax breaks for businesses, should help bolster the economy later this year, Paulson said. He was cool

to the need for additional economic stimulus, which is being promoted by Democrats in Congress.

Sen. Charles Schumer, D-N.Y., accused President Bush of not doing enough.

"The president is, indeed, behaving like Herbert Hoover. We're in the most serious economic problem we've been in in a very long time, much worse than 2001. The president's hands-off attitude is reminiscent of Herbert Hoover in 1929, in 1930," Schumer said. "There are lots of things that can be done, particularly on housing. Housing has been the bull's eye of this crisis."

Consultations about the Bear Stearns situation continued through the weekend among representatives from the Fed, Treasury Department, financial institutions and others.

President Bush planned to meet on Monday with his advisory panel on financial markets, whose members include Fed Chairman Ben Bernanke and Paulson. The panel on Thursday recommended stricter regulation of mortgage lenders as part of a broad effort to prevent a repeat of a credit crisis threatening to drive the country into recession.

With the value of the dollar plunging, Paulson stuck to the position of past treasury chiefs when he said a strong dollar is in the national interest. The dollar has dropped to a new low against the euro and a fallen sharply against the Japanese yen. That helps sales of U.S. exports to foreign buyers because it makes U.S. goods less expensive. But the drooping dollar increases inflationary pressures.

Paulson appeared on ABC's "This Week," "Fox News Sunday" and "Late Edition" on CNN. Schumer was on Fox.

Sent from my BlackBerry Wireless Handheld

Foley, Trip

From: Foley, Trip
Sent: Sunday, March 16, 2008 11:35 AM
To: Scott.Alvarez@frb.gov; Thomas.Baxter@ny.frb.org
Cc: Ryan, Tony; Abbott, Matthew
Subject: 11:50 Conference Call

Scott and Tom -

Please use the following dial-in for a call at 11:50:

202-927-2255
PIN (b) (2)

Trip Foley

Special Assistant to the
Under Secretary for Domestic Finance

U.S. Department of the Treasury
1500 Pennsylvania Ave, NW
Washington, DC 20220
(T): 202-622-1258 | (F): 202-622-2362
Email: trip.foley@do.treas.gov

Foley, Trip

From: McLaughlin, Brookly
Sent: Sunday, March 16, 2008 12:18 PM
To: DL FYI
Subject: Reuters - U.S. ready to maintain financial stability

U.S. ready to maintain financial stability - Paulson LBA0000020080316e43g000di By Donna Smith
718 Words
16 March 2008
16:12 GMT
Reuters News
English
(c) 2008 Reuters Limited

WASHINGTON, March 16 (Reuters) - U.S. Treasury Secretary Henry Paulson on Sunday tried to allay election-year fears about the economy amid growing market turmoil, saying the government was prepared to do what it takes to maintain stability in the financial system.

Paulson appeared on several Sunday television talk shows to express confidence in the U.S. economy and financial firms after the Federal Reserve moved on Friday to inject capital into Bear Stearns, the fifth-largest U.S. investment bank, which ran short of cash to repay its lenders.

Paulson told "Fox News Sunday" the Fed made the right decision to come to the rescue of the investment firm and that maintaining stability in financial markets was a top priority of the government.

"The government is prepared to do what it takes to maintain the stability of our financial system," Paulson said. "That's our priority."

Paulson said officials were continuing discussions about the financial market turmoil through the weekend. President George W. Bush plans to meet with his top economic advisers on Monday. Many analysts believe the Fed will decide to sharply cut interest rates at its policy meeting next week.

The housing crisis, a broadening credit crunch, a weaker dollar and the softening labor market have put the economy ahead of the war in Iraq as the top concern of voters heading into the November presidential elections.

Continued market turmoil and a protracted economic downturn could bode ill for presumptive Republican nominee John McCain as Democrats have tried to link him to Bush's economic policies.

Paulson said the \$152 billion economic stimulus plan enacted in February should help lift the economy as soon as the government checks, up to \$600 for individuals, are put in the mail as early as May.

He expressed confidence that the economy and financial markets would work their way through the current crisis.

"I have great, great confidence in our capital markets and in our financial institutions," Paulson told CNN's "Late Edition." "Our financial institutions, banks and investment banks are strong, our capital markets are resilient, they're efficient, they're flexible."

Bush also sought to calm fears about the economy in his weekly radio address on Saturday.

"In the long run, we can be confident that our economy will continue to grow, but in the short run, it is clear that growth has slowed," Bush said.

DEMOCRATS' PACKAGE

U.S. House of Representatives Speaker Nancy Pelosi told ABC's "This Week" that congressional Democrats are drafting a second economic package, which would include an extension of unemployment benefits for jobless workers, even though Bush has said he wants to wait and give the current plan a chance to work.

"I don't know that we have that luxury," Pelosi said, adding that much of what the administration has done has been too late.

In a separate interview with ABC's "This Week," Paulson said the housing price decline was unavoidable and that some policies being pushed by Democrats could make things worse.

"What's going on right now is an inevitable decline, and a necessary decline, in home prices," Paulson said noting that home prices skyrocketed between 2002 and 2006, doubling in in some markets in Florida, California and Arizona and Nevada.

"You can't have that kind of appreciation without having some sort of correction," Paulson said. "We have a program that is designed to get to those homeowners who can afford to stay in their homes, who want to stay in their homes, and to help them stay in their homes."

With the dollar hitting a record low this week against other currencies, Paulson said that a strong dollar is in U.S. interest and that over the long run it will reflect the underlying strength of the economy.

"Our economy has its ups and downs like any other economy, but I believe that that long-term strength is going to be reflected in the dollar," Paulson said in the "Fox News Sunday" interview.

(Additional reporting by Andy Sullivan; Editing by Eric Beech)

Sent from my BlackBerry Wireless Handheld

Appleton, Jesse

From: Zuccarelli, Jennifer
Sent: Sunday, March 16, 2008 12:39 PM
To: McLaughlin, Brookly; Davis, Michele; Steel, Robert; Ryan, Tony; Wilkinson, Jim
Subject: Fw: checking in

Not sure that this NYT email was meant for me(they did it again), so read below as an FYI.

They think we might not be in step with the Fed.

----- Original Message -----

From: Ed Andrews <eandrews@nytimes.com>
To: Paula Dwyer <dwyerp@nytimes.com>; weisman@nytimes.com <weisman@nytimes.com>; ingrassia@nytimes.com <ingrassia@nytimes.com>; dbaquet@nytimes.com <dbaquet@nytimes.com>; joachim@nytimes.com <joachim@nytimes.com>; redburn@nytimes.com <redburn@nytimes.com>; slabaton@nytimes.com <slabaton@nytimes.com>; Zuccarelli, Jennifer
Sent: Sun Mar 16 12:35:09 2008
Subject: Re: checking in

For planning purposes, and please do not convey this outside the building, I get the sense we will hear some kind of announcement this afternoon. I am hopeful that Fed people will talk to me here in Washington, but I don't think it will be until about 4 PM.

Obviously, the NY Fed is at the center of actual events. What I am trying to piece together from Washington is: a) how have Bernanke and other Fed Board members been keeping tabs, and what parameters have they set on the negotiations? b) how are they trying to avoid an open-ended commitment, in the event that they cannot arrange a shot-gun wedding for Bear Stearns? c) Is the administration, i.e. Treasury and the White House, essentially a bystander or trying to affect the outcome? d) What have Bernanke and his minions, Paulson and his minions, and the White House minions been doing this weekend? At the end of the day, of course, we'll have to write up whatever we have no matter how meager the scraps turn out to be. So I'm pushing for even the dumbest details of what my people were doing this weekend -- what Bernanke ate for breakfast, when did he get into the office, did he do any normal weekend chores, etc. ect.

To me, one interesting line of reporting is whether Treasury and the Fed are on the same page. Technically, the Fed is independent of the administration. But when it comes to financial stabilization, as opposed to monetary policy, the boundaries between the Fed and Treasury are much blurrier and each has some clout over the other. The Fed has the money to lend, but it would be loathe to do something that pissed off Treasury. Paulson and the White House have more political priorities than the Fed, and they may simply want to be in charge. Both institutions want to put out the fire, but I would be surprised if there isn't tension between the two. I don't know how to figure this out, but I think we should all be probing along these lines.

Cheers, Ed

At 01:00 PM 3/16/2008, you wrote:

>Hi all,
>John Geddes is asking what news on the Fed, Treasury, White House,
>Congress fronts. Can you let me know what you are hearing about any
>weekend coordinating that is going on in advance of monday's market
>opening, please? I'll be staying in touch with our Bear Stearns

>reporters and will pass on any news they get.
>
>thanks,
>Paula

Steel, Robert

From: Steel, Robert
Sent: Sunday, March 16, 2008 1:02 PM
To: Nason, David; Ryan, Tony
Subject: Fw: Afternoon call

What do you think ?

----- Original Message -----

From: Foley, Trip
To: Steel, Robert
Sent: Sun Mar 16 12:52:22 2008
Subject: Afternoon call

Wanted to check if we need to confirm another call for 2 or 3, or if we just want to talk to people one-off.

Trip Foley
Department of the Treasury
202-622-1258
trip.foley@do.treas.gov

Foley, Trip

From: McLaughlin, Brookly
Sent: Sunday, March 16, 2008 1:06 PM
To: DL_FYI
Subject: TRANSCRIPT: Paulson on Fox News Sunday

Interview With Treasury Secretary Paulson
FOXN000020080316e43g00004
News; Domestic
Chris Wallace
2097 Words
16 March 2008
Fox News: Fox News Sunday
English
© 2008 FOX News Network, LLC. All rights reserved.

WALLACE: And we are back now to talk about the economy with Treasury Secretary Henry Paulson.

Mr. Secretary, welcome back to the program.

PAULSON: Chris, good to be here.

WALLACE: Well, you just heard Senator Schumer, Senator Dodd -- Senator Schumer particularly -- calling this now the Bush recession, comparing him to Herbert Hoover and failing to do what he could have done months ago to prevent this situation from getting so bad.

Your reaction, sir?

PAULSON: My reaction is we're all over this. And the president is very focused on what's going on in the economy. We got out ahead of it early, coming off a third quarter where the GDP grew at 4.9 percent.

We actually were criticized for some for moving too fast with a stimulus package. With the help of Congress -- great leadership there -- we have a program and we're working on getting those checks out to the American people beginning early in May. And it's going to make a meaningful difference.

WALLACE: Well, I want to pick up on that, because you have been criticized and the president has been criticized for striking such positive notes.

When you were last here on the program seven weeks ago, you said, quote, "The economy is going to continue to grow." But by every measure, things have gotten worse since then.

And I'd like you -- if I may, just take a look. The dollar closed at a record low this week against the euro. Oil is at a record high. We've lost 85,000 jobs in the last two months. And retail sales continue to drop.

Mr. Secretary, don't all signs point to the economy continuing to decline for months to come?

PAULSON: Chris, what I said is I believe the economy is going to continue to grow but the risks are to the downside. The risks are housing, capital markets turmoil, the price of oil.

We're focused on it. We're all over it. I think it's much less important what you call this. Economists will be debating that for months and months and months. It's much less important what you call it than what you're doing about it.

And we're working very hard, working to prevent those foreclosures which are preventable, avoidable, working to minimize the spillover from the capital markets, turmoil on the real economy.

And I think the stimulus package is going to make a difference.

WALLACE: But let me ask about that, because I think the concern, whether it's called a recession or not -- and we should point out that the Wall Street Journal had a survey of 51 top economists this week. Seventy percent of them said the economy is already in a recession. But let's not even play that semantics.

PAULSON: Right.

WALLACE: I think the growing concern is that you, the president, keep saying, "We're all over this." And then a few months down the road, things are worse. And so they wonder are you out ahead of these things, or are you always behind the curve?

PAULSON: Well, Chris, there's a question what -- when there are excesses, excesses we've seen in the housing market, a correction there is inevitable. You're going to see a correction.

Can we outlaw the forces of gravity? You know, how much can government do? But this administration has been focused on this, I think very early involved -- very early, beginning in August, working very hard to avoid foreclosures that are preventable, putting in place programs that are making a difference, are working.

Are they going to prevent the inevitable correction in housing prices? No. But we're working hard on that. And again, I think we were early with the stimulus package.

WALLACE: All right. Let me ask you about some specific issues that you're facing and the government is facing today. On Friday, the Federal Reserve helped bail out Bear Stearns, the first time that it has taken such action since the great depression.

Are more Wall Street firms in danger, at risk, of going under?

PAULSON: Chris, I've got great confidence in our financial market, our financial institutions. Our markets are resilient. They're flexible. Our institutions, our banks and investment banks, are strong.

And I am very confident with the help of the regulators and market participants we're going to work our way through this.

WALLACE: But forgive me. If I'd asked you this a week ago, you probably would have said that about Bear Stearns. And the fact is that on Friday, they reached a crisis. They would have gone under if it hadn't been for this huge injection of funds.

So my question is are there other Bear Stearnses out there? Are there other firms at risk of going under?

PAULSON: Chris, what I've said -- and I'll just repeat it. I've got confidence in our markets and in our financial institutions. You saw action which I -- you know, I've been very involved -- you know, been on the phone for a couple days right now helping to work through this.

And there is always a decision that needs to be made and to say what's best for the stability of the marketplace, the orderliness of the marketplace. I think we made the right decision. I think the Federal Reserve made the right decision here.

And again, I don't know what to say other than what I've just said -- is we've got strong financial institutions. Our markets are the envy of the world. They're resilient. They're innovative. They're flexible.

I think we move very quickly to address situations in this country. And as I said, our financial institutions are strong.

WALLACE: You talk about the decision that you made and that it was the right decision. If another investment bank faces a Bear Stearns situation, is the government prepared to bail them out?

PAULSON: I'm not going to speculate on things that might happen. But I just clearly am

going to say our focus, our priority, number one priority, is the stability of our financial system, the stability of our financial markets, orderly markets.

What we are working to do -- and this gets back to your conversation with Senators Dodd and Schumer. What we're working to do is to minimize impact of what's going on in housing, what's going on in the capital markets, on the real economy.

That's our first priority. That's our responsibility right now.

WALLACE: So is the government prepared to do more, if necessary, to maintain that stability in the financial...

PAULSON: The government is prepared to do what it takes to maintain the stability of our financial system. That's our priority.

And I've got to tell you, it's a great financial system, and we have market participants. As you work your way through a period like we've been working our way through and, you know, risk is being repriced -- I've been saying all the way along that there will be -- there always are -- surprises along the way, bumps on the road. You hit rough spots. These things happen. And the question is how do you deal with them.

WALLACE: But isn't the result of this that U.S. taxpayers might end up holding billions of dollars in bad mortgage securities?

PAULSON: I'm not going to speculate about the outcome of this specific situation. You're going to have to wait and see.

Conversations are going on, you know, over the weekend. I'm very involved in those conversations. I'm confident that this was the right thing to do.

Sometimes there are difficult decisions. This, in my judgment, was not a difficult decision. It was a right decision. And again, our markets are very important.

WALLACE: But there's an overarching philosophical and policy question here that I want to try to get at with you about the government's role.

Why should the government, and thereby U.S. taxpayers, bail out lenders and borrowers who made bad decisions? And if they know they're going to be bailed out, what does that do to the moral hazard argument that they don't end up paying a price?

PAULSON: Well, first of all, I really understand the moral hazard argument. So on the one hand, you've got a moral hazard. On the other, you've got what's right for the markets, what's right for the stability of the financial system, the U.S. economy.

All of these situations are situation-specific, depending on what's going on in the markets at the time. You're jumping to a conclusion about what the cost is going to be to U.S. taxpayer. So I just want to point that out.

And this situation hasn't played out yet. And wait and see how that plays out.

But to get to your general question, this is something that -- you need to balance these two considerations. And I would say at this time, given where we are, and given how important it is to minimize disruptions in our capital markets, and how important it is to protect the economy which you were talking about earlier, this was the right decision.

WALLACE: Finally, I want to ask you about the dollar, which, as I mentioned, is at a record low this week. With fuel's inflation and our dependence on foreign money, you and the president say -- and this has become kind of a mantra over previous administrations as well, that the strong dollar is in, quote, "our national interest."

Why not take a more aggressive stance and support a stronger and stable dollar and even implement policies to make a -- to prop up the dollar?

PAULSON: Well, I'm going to step back and say a strong dollar is in our nation's interest. Our long-term fundamentals in this country, economic fundamentals, are strong.

Our economy has its ups and downs like any other economy, but I believe that that long-

term strength is going to be reflected in the dollar.

And to get to your point, we are -- the president has policies we're advocating very strongly, policies that are going to increase confidence in the U.S. economy and make our economy stronger over time, keep it stronger over time.

And you know what those policies are. It's pro-growth tax. It's being open to foreign investment. It's embracing and welcoming trade. That's why we're working so hard to get Congress to accept the Colombia free trade agreement.

WALLACE: But very briefly, because we've only got about 30 seconds left, you're not going to change your stance and push more aggressively for a stronger, increased value dollar.

PAULSON: Well, I don't know how we can be any stronger in saying that a strong dollar is in our interest. And we're going to keep pressing.

Everything I'm doing when I'm here, Chris, is to make this U.S. economy more competitive, stronger, minimize -- you asked me about the Bear Stearns situation.

I think actions like that -- anything we can do to enhance confidence in our marketplace, in our capital markets, in our economy, are the policies that increase confidence in our economy over time.

WALLACE: Secretary Paulson, we want to thank you so much for coming in today. And please come back as this situation continues to develop to bring us up to date on it, sir.

PAULSON: Thank you.

WALLACE: Thank you.

Coming up, racial politics in the Democratic campaign for president. We'll hear from our Sunday regulars in a moment. Stay tuned.

(COMMERCIAL BREAK)

Content and Programming Copyright 2008 Fox News Network, LLC. ALL RIGHTS RESERVED.
Transcription Copyright 2008 Voxant, Inc. (www.voxant.com), which takes sole responsibility for the accuracy of the transcription. ALL RIGHTS RESERVED. No license is granted to the user of this material except for the user's personal or internal use and, in such case, only one copy may be printed, nor shall user use any material for commercial purposes or in any fashion that may infringe upon Fox News Network, LLC'S and Voxant, Inc.'s copyrights or other proprietary rights or interests in the material. This is not a legal transcript for purposes of litigation.

Sent from my BlackBerry Wireless Handheld

Stoltzfoos, Jeffrey

Subject: Conference call
Location: 202-927-2255 | PIN (b) (2)

Start: Sun 3/16/2008 4:30 PM
End: Sun 3/16/2008 5:00 PM

Recurrence: (none)

Meeting Status: Accepted

Required Attendees: Steel, Robert; Nason, David; Ryan, Tony; Kashkari, Neel; Stoltzfoos, Jeffrey; Appleton, Jesse; Norton, Jeremiah; Hoyt, Robert

When: Sunday, March 16, 2008 4:30 PM-5:00 PM (GMT-05:00) Eastern Time (US & Canada).

Where: 202-927-2255 | PIN (b) (2)

~~*~*~*~*~*~*~*~*

Steel, Robert

From: Foley, Trip
Sent: Sunday, March 16, 2008 2:15 PM
To: Steel, Robert; Nason, David; Ryan, Tony; 'patrick.m.parkinson@frb.gov'; 'kevin.m.warsh@frb.gov'; 'Timothy.Geithner@ny.frb.org'; 'Terrence.Checki@ny.frb.org'; 'SirriE@sec.gov'; 'william.dudley@ny.frb.org'; 'colbyr@sec.gov'; Stoltzfoos, Jeffrey; Norton, Jeremiah; Appleton, Jesse; Hoyt, Robert; Kashkari, Neel
Subject: 4:30 PM Conference Call

A follow-up conference call has been scheduled for 4:30 PM on Sunday afternoon. The dial-in information is below.

202-927-2255

PIN (b) (2)

Trip Foley

Special Assistant to the
Under Secretary for Domestic Finance

U.S. Department of the Treasury
1500 Pennsylvania Ave, NW
Washington, DC 20220
(T): 202-622-1258 | (F): 202-622-2362
Email: trip.foley@do.treas.gov

Foley, Trip

From: Foley, Trip
Sent: Sunday, March 16, 2008 2:19 PM
To: West, Christal
Subject: 2 Calls

I was wrong - actually 2 calls today:

Call #1:
Time: 2:45

202-927-2255
PIN: (b) (2)

Purpose: Internal Domestic Finance call to plan for 3:30 call

Call#2:
Time: 3:30

202-927-2255
PIN: (b) (2)

Trip Foley
Special Assistant to the
Under Secretary for Domestic Finance

U.S. Department of the Treasury
1500 Pennsylvania Ave, NW
Washington, DC 20220
(T): 202-622-1258 | (F): 202-622-2362
Email: trip.foley@do.treas.gov

Foley, Trip

From: Foley, Trip
Sent: Sunday, March 16, 2008 2:45 PM
To: Davis, Michele
Subject: 2:45 call

202-927-2255

PIN. (b) (2)

Trip Foley
Department of the Treasury
202-622-1258
trip.foley@do.treas.gov

Foley, Trip

From: Foley, Trip
Sent: Sunday, March 16, 2008 2:59 PM
To: Davis, Michele
Subject: 3:30 call

202-927-2255

PIN (b) (2)

Trip Foley
Department of the Treasury
202-622-1258
trip.foley@do.treas.gov

Foley, Trip

From: Foley, Trip
Sent: Sunday, March 16, 2008 3:43 PM
To: West, Christal
Subject: Re:

Yup. Thanks - all worked out!

Trip Foley
Department of the Treasury
202-622-1258
trip.foley@do.treas.gov

----- Original Message -----
From: West, Christal
To: Foley, Trip
Sent: Sun Mar 16 15:41:43 2008
Subject:

Assuming HMP got on those calls ok?

Foley, Trip

From: Zuccarelli, Jennifer
Sent: Sunday, March 16, 2008 4:10 PM
To: DL_FYI
Subject: WSJ-Bear Stearns Closes in on Deal To Sell Itself to J.P. Morgan

Bear Stearns Closes in on Deal
To Sell Itself to J.P. Morgan

By DENNIS K. BERMAN, SUSANNE CRAIG and KATE KELLY March 16, 2008 WSJ 3:58 p.m.
Bear Stearns Cos. was closing in on a deal Sunday afternoon to sell itself to J.P. Morgan Chase & Co., as worries deepened that the financial crisis of confidence could spread if Bear failed to find a buyer by Monday morning.

People familiar with the discussions said all sides were pushing hard to complete an agreement before financial markets in Asia open for Monday trading. "None of these things is done until they're done," Treasury Department spokeswoman Michele Davis said Sunday afternoon. "But I think everyone's expectation is sometime in the early evening hopefully" the deal will be done.

While terms of the deal were still being hammered out Sunday afternoon, Bear Stearns could fetch roughly \$2.2 billion, or slightly less than \$20 a share, said people familiar with the talks. Reflecting the dire situation at Bear, that valuation is one-third lower than the company's stock price of \$30 in New York Stock Exchange composite trading Friday at 4 p.m. Last year, the shares hit \$170.

One stumbling point appeared to be the amount of risk that J.P. Morgan would absorb in any type of transaction. While J.P. Morgan is eager to snap up some of Bear Stearns assets—such as its prime brokerage business that caters to hedge funds—Chief Executive Officer James Dimon was reluctant to pursue the deal without certain assurances that would protect his firm's exposure, said people familiar with the matter.

Despite the emergency funding from J.P. Morgan and the Federal Reserve that was announced Friday and gives Bear access to cash for an initial period of 28 days, the clock is ticking against the 85-year-old company. Regulators, bankers and investors are concerned that the firm could plummet even further when markets open Monday. A continued exodus by parties that Bear trades with could even cause the investment bank to collapse. Federal regulators also are trying to prevent Bear's crisis from mushrooming into a systemic threat to the stability of financial markets and other securities firm, for which confidence is essential to their ongoing operations. Unwinding Bear also would be a nightmare because it trades with nearly every firm on Wall Street.

In an interview with George Stephanopoulos on ABC's "This Week," Treasury Secretary Henry Paulson said he has been following the negotiations closely but couldn't predict if Bear Stearns would find a buyer. "I've been on the phone for a couple of days straight, throughout the weekend," he said. "But people are going to need to look and see what—and I'm not going to project right now what that outcome of that situation is."

On several occasions over the weekend, Mr. Paulson spoke about the Bear negotiations with Federal Reserve Board Chairman Ben Bernanke and New York Fed Bank President Timothy Geithner.

A price of slightly less than \$20 a share would value Bear at \$2.24 billion, roughly 10% of the market cap reached at its all-time peak in early 2007. The price also factors in the value of Bear's Madison Avenue headquarters, which could be valued at around \$1.2 billion based on going market rates. That would make Bear's banking franchise worth a little over \$1 billion—a pittance for a firm that was regularly making \$1 billion to \$2 billion in net income during the middle of the decade.

Through the weekend, Bear Stearns bankers were summoned to the company's headquarters on Madison Avenue, where they were told to prepare lists of ongoing deals and business relationships. Representatives from prospective buyers circulated through conference rooms, with J.P. Morgan executives asking questions of Bear's senior people. A separate bidding group, including J.C. Flowers & Co. and Kohlberg Kravis Roberts & Co., also was in the mix, said a person familiar with the discussions.

Write to Dennis K. Berman at dennis.berman@wsj.com, Susanne Craig at susanne.craig@wsj.com and Kate Kelly at kate.kelly@wsj.com

Steel, Robert

From: Market Room
Sent: Sunday, March 16, 2008 4:12 PM
To: Steel, Robert; Ryan, Tony; Abbott, Matthew; Schetzel, Michael; Norton, Jeremiah; Nason, David; Stoltzfoos, Jeffrey; Appleton, Jesse; Ramanathan, Karthik
Subject: WSJ Bear Stearns Closes in on Deal

March 16, 2008 3:58 p.m. EDT

Bear Stearns Closes in on Deal To Sell Itself to J.P. Morgan

By DENNIS K. BERMAN, SUSANNE CRAIG and KATE KELLY
March 16, 2008 3:58 p.m.

Bear Stearns Cos. was closing in on a deal Sunday afternoon to sell itself to **J.P. Morgan Chase & Co.**, as worries deepened that the financial crisis of confidence could spread if Bear failed to find a buyer by Monday morning.

People familiar with the discussions said all sides were pushing hard to complete an agreement before financial markets in Asia open for Monday trading. "None of these things is done until they're done," Treasury Department spokeswoman Michele Davis said Sunday afternoon. "But I think everyone's expectation is sometime in the early evening hopefully" the deal will be done.

While terms of the deal were still being hammered out Sunday afternoon, Bear Stearns could fetch roughly \$2.2 billion, or slightly less than \$20 a share, said people familiar with the talks. Reflecting the dire situation at Bear, that valuation is one-third lower than the company's stock price of \$30 in New York Stock Exchange composite trading Friday at 4 p.m. Last year, the shares hit \$170.

One stumbling point appeared to be the amount of risk that J.P. Morgan would absorb in any type of transaction. While J.P. Morgan is eager to snap up some of Bear Stearns assets—such as its prime brokerage business that caters to hedge funds—Chief Executive Officer James Dimon was reluctant to pursue the deal without certain assurances that would protect his firm's exposure, said people familiar with the matter.

Despite the emergency funding from J.P. Morgan and the Federal Reserve that was announced Friday and gives Bear access to cash for an initial period of 28 days, the clock is ticking against the 85-year-old company. Regulators, bankers and investors are concerned that the firm could plummet even further when markets open Monday. A continued exodus by parties that Bear trades with could even cause the investment bank to collapse.

Federal regulators also are trying to prevent Bear's crisis from mushrooming into a systemic threat to the stability of financial markets and

Foley, Trip

From: Zuccarelli, Jennifer
Sent: Sunday, March 16, 2008 4:29 PM
To: _DL_FYI
Subject: Bberg-Bear Stearns, JPMorgan Aim to Strike Sale Agreement, People Say

Bear Stearns, JPMorgan Aim to Strike Sale Agreement, People Say

By Yalman Onaran, Elizabeth Hester and Katherine Burton

March 16 (Bloomberg) -- Bear Stearns Cos. executives were striving today to strike an agreement to sell the crippled securities firm to JPMorgan Chase & Co. before trading resumes tomorrow, people with knowledge of the talks said.

The companies may announce an agreement in principle as soon as this evening in New York, giving a range of potential sale prices and leaving details of the transaction unresolved, said the people, who declined to be identified because the talks are private. Negotiations were ongoing, including with other potential bidders, and it was unclear whether a deal would be completed, they said. The Wall Street Journal reported that the sale price may be about \$2.2 billion, less than the firm's \$4.08 billion market value.

JPMorgan, backed by the Federal Reserve, provided emergency funding to Bear Stearns on March 14 when the fifth-largest U.S. securities firm ran out of cash after speculation about its financial soundness prompted customers and creditors to withdraw \$17 billion of assets. Bear Stearns plummeted a record 47 percent in New York trading, pulling down other financial stocks and sparking concern that other Wall Street firms could be affected.

``Right now it's a very potent short-term problem,'' said Brian Barish, who manages about \$8 billion as president of Denver-based Cambiar Investors LLC. ``If Bear fails you're going to augment this liquidity problem materially because all kinds of trades are going to fail and people are going to be stuck with Bear as a counterparty. So it's better to find a way to handle Bear.''

Russell Sherman, a spokesman for Bear Stearns, declined to comment. JPMorgan spokeswoman Kristin Lemkau didn't return phone calls seeking comment.

Prime Asset

J.C. Flowers & Co., the New York-based private equity firm, is among the other potential bidders that have been in contact with Bear Stearns since its cash shortage surfaced, according to people familiar with the matter. Ed Grebow, a spokesman for J.C. Flowers, didn't return a call seeking comment.

Hundreds of Bear Stearns employees worked yesterday to help with the process along with teams of bankers from JPMorgan who descended on Bear Stearns's 45-story headquarters on Madison Avenue, in midtown Manhattan, people with knowledge of the matter said.

Bear Stearns's prime brokerage, which provides loans and processes trades for hedge funds, is a potentially desirable asset for the JPMorgan, which has said it wants to buy such a business. The Bear Stearns unit generated \$1.2 billion in revenue last year. Talks between the two New York-based firms have moved beyond that business and an outright acquisition of Bear Stearns is under discussion, the people familiar with the talks said.

``Good Guys'

JPMorgan and rival banks and securities firms are trying to find additional revenue streams after the collapse of the subprime mortgage market forced them to absorb more than \$195 billion of writedowns and losses since the start of last year.

``You'd have to assume they're not extending the loan to be good guys,'' said David Castillo, a senior managing director at Further Lane Securities in San Francisco, referring to JPMorgan's bailout of Bear Stearns. ``They're extending the loan to take a look at the books.''

Bear Stearns's prime brokerage was the third-largest behind Goldman Sachs Group Inc. and Morgan Stanley as of April 2007, according to Sanford C. Bernstein & Co. analyst Bradley Hintz .

``Prime brokerage is a fee-based business that has a fairly steady revenue and income through all market cycles,'' said Glen Dailey, head of Jefferies Group Inc.'s prime brokerage in New York. ``As long as people buy or sell it makes money.''

Dailey ran Bank of America Corp.'s prime brokerage from 1997 until 2006.

Dinton, Black

JPMorgan, led by Chief Executive Officer Jamie Dimon, was tapped March 14 for the bailout, after Bear Stearns's cash position had ``significantly deteriorated'' the previous day, company officials said. JPMorgan agreed to help the New York Fed provide financing for up to 28 days.

Steven Black, co-CEO of JPMorgan's investment bank, said Feb. 27 that the firm was considering an opportunity to buy a prime brokerage from an unnamed seller. Bank of America, based in Charlotte, North Carolina, said on Jan. 15 that it planned to sell its prime brokerage.

Dimon said three years ago that he didn't see the point of trying to compete with the likes of Morgan Stanley or Goldman in prime brokerage for stock trades. It's ``just too late,'' he said on a January 2005 conference call. Instead, he said he would focus on serving hedge funds in debt trading.

Buying a business with a damaged reputation carries its own risks. Prime brokerage customers have been leaving Bear Stearns since last summer, said Bob Sloan, managing partner of S3 Partners, a New York-based company that serves as an outside financing desk for hedge funds.

Client Withdrawals

There's little incentive to return once they've departed, said Sloan, whose clients have withdrawn a total of \$25 billion from Bear Stearns.

``When Bear passed around a circular in July saying everything was safe and secure and funding was not a problem, we recommended to all our clients to pull,'' said Sloan, who ran Credit Suisse First Boston's prime brokerage for six years until 2002.

Bear Stearns, which first sold shares to the public in 1985, helped trigger a crash in the market for home loans to borrowers with blemished credit histories after two of its hedge funds collapsed in July. The failure of the funds, which invested in securities linked to subprime mortgages, prompted a sell-off of the assets, which led investors to shun other high-yield debt.

Defibrillators

The turmoil is casting doubt on Bear Stearns's ability to remain an independent company. CEO Alan Schwartz said on a conference call March 14 that Bear Stearns had retained investment bank Lazard Ltd. to seek ``strategic alternatives.'' Bear Stearns said it's also in talks with JPMorgan about long-term funding.

``Unfortunately it's easy to concoct a scenario that says this becomes a run-off strategy,'' Bernstein's Hintz said. ``It doesn't mean the assets aren't worth anything, it doesn't mean the franchise isn't worth anything, but I'm not at all certain how you put the defibrillators on and jumpstart the company again.''

To contact the reporters on this story: Yalman Onaran <http://search.bloomberg.com/search?q=Yalman+Onaran&site=wnews&client=wnews&proxystylesheet=wnews&output=xml_no_dtd&ie=UTF-8&oe=UTF-8&filter=p&getfields=wnnis&sort=date:D:S:d1> in New York at yonaran@bloomberg.net; Elizabeth Hester <http://search.bloomberg.com/search?q=Elizabeth+Hester&site=wnews&client=wnews&proxystylesheet=wnews&output=xml_no_dtd&ie=UTF-8&oe=UTF-8&filter=p&getfields=wnnis&sort=date:D:S:d1> in New York at ehester@bloomberg.net; Katherine Burton <http://search.bloomberg.com/search?q=Katherine+Burton&site=wnews&client=wnews&proxystylesheet=wnews&output=xml_no_dtd&ie=UTF-8&oe=UTF-8&filter=p&getfields=wnnis&sort=date:D:S:d1> in New York at kburton@bloomberg.net.

Last Updated: March 16, 2008 16:03 EDT