

From: Rawlings, David (Exchange)

Sent: Wednesday, January 09, 2008 12:14 PM

To: Minikes, Michael; Lisman, Bruce (Exchange); Molinaro, Sam (Exchange); Meyer, Steve (Exchange)

Cc: Lebedin, Louis (Exchange)

Subject: Paulson Partners - John Paulson follow up conversation needed

Attachments: Paulson 01-08-08.pdf

Mike/Sam –

I spoke with John Paulson this morning. He has expressed the following concerns. As you know, Paulson is a top 10 institutional client of the firm – revenue breakdown is attached.

- 1) The performance of our firm lagged our peers across M&A, Equities, Asset Mgmt, PB, Fixed Income, etc.
- 2) We have \$180BN of Level 2 and 3 assets on the B/S
- 3) What happens to his assets (i.e. client assets in BSSC, BSIL, etc.) in the event of default at the parent company.

Mike - as discussed, he is expecting your call related to #3 (Safety of Client Assets).

Sam – are you available for 30 minutes in the next two days to discuss performance concerns and asset exposures?

I will follow up with your office to try to find a suitable time.

Thanks,
DR

David Rawlings
Senior Managing Director
Bear Stearns & Co.
212-272-7875 (W)
917-496-4409 (C)
drawlings@bear.com

Firm Overview

Firm	2006	2007	2008 YTD	2008 Proj. *	Growth % *
PAULSON	\$32,018,789	\$46,379,136	\$5,744,606	\$55,178,448	18.97%
Total	\$32,018,789	\$46,379,136	\$5,744,606	\$55,178,448	18.97%

BSC Division Summary

Division	2006	2007	2008 YTD	2008 Proj. *	Growth % *
Cash Equities	\$3,212,220	\$4,837,193	\$1,255,259	\$12,057,093	149.26%
Prime Broker	\$28,279,578	\$35,753,827	\$4,185,629	\$40,204,064	12.45%
Broker Dealer					
IAS					
SEP	\$86,645	\$3,716,988	\$315,218	\$3,027,752	-18.54%
Fixed Income	\$440,346	\$2,071,128	(\$11,500)	(\$110,461)	-105.33%
PCS					
IB					
Total	\$32,018,789	\$46,379,136	\$5,744,606	\$55,178,448	18.97%

BSC Division Detail

Cash Equities	2006	2007	2008 YTD	2008 Proj. *	Growth % *
Arbitrage	\$738,766	\$1,732,886	\$68,816	\$660,996	-61.86%
Execution (XO)	\$1,005,881	\$706,909	\$71,435	\$686,154	-2.94%
International - Arbitrage	\$1,467,572	\$2,397,397	\$1,115,008	\$10,709,943	346.73%
Total	\$3,212,220	\$4,837,193	\$1,255,259	\$12,057,093	149.26%

Prime Broker	2006	2007	2008 YTD	2008 Proj. *	Growth % *
Clearance Fee		\$505,625	\$29,521	\$283,561	-43.92%
Credit Interest		\$2,756,641	\$130,418	\$1,252,703	-54.56%
Debit Interest		\$6,673,844	\$235,256	\$2,259,691	-66.14%
Execution		\$21,386	\$7,492	\$71,963	236.49%
Money Market Interest		\$1,365,078	\$966,207	\$9,280,673	579.86%
Other	\$28,279,578				
Short Interest		\$24,431,253	\$2,816,734	\$27,055,472	10.74%
Total	\$28,279,578	\$35,753,827	\$4,185,629	\$40,204,064	12.45%

SEP	2006	2007	2008 YTD	2008 Proj. *	Growth % *
Basket	\$0	\$163,576	\$0	\$0	-100.00%
Equity Finance	\$86,645	\$3,400,961	\$284,910	\$2,736,636	-19.53%
Non-SEP		\$3,096			-100.00%
Volatility	\$0	\$149,355	\$30,308	\$291,116	94.92%
Total	\$86,645	\$3,716,988	\$315,218	\$3,027,752	-18.54%

Fixed Income	2006	2007	2008 YTD	2008 Proj. *	Growth % *
Credit Derivatives	\$345,981	\$2,046,638	(\$11,500)	(\$110,461)	-105.40%
Distressed	\$26,019	\$0	\$0	\$0	
FOREX					
High Grade	\$21,215	\$0	\$0	\$0	
High Yield	\$42,444	\$24,490	\$0	\$0	-100.00%
Mortgage Backed	\$4,688	\$0	\$0	\$0	
Total	\$440,346	\$2,071,128	(\$11,500)	(\$110,461)	-105.33%

BSC Rankings

Year	Firmwide	GED	Cash	Prime Broker	BD/IAS	SEP	Fixed Income	PCS	IB
2007	10 / 4232	3 / 3250	42 / 2058	2 / 1032		19 / 708	156 / 1313		
2008 FYTD	2 / 2798	1 / 2360	6 / 1345	3 / 851		15 / 355	1408 / 863		

* - Projected Revenue and Growth Percentages based on FYTD revenue annualized to year end - Investment Banking Revenue is not annualized

** - All numbers are as of 1/8/2008