Giles, James

From: Eichner, Matthew
Sent: Thursday, March 13, 2008 7:47 AM
To: Sirri, Erik R.; Colby, Robert LD; Macchiaroli, Michael A.
Subject: Fw: Bear Stearns

Importance: High

Hi,

I just got a heads up from Mike Alix at Bear, who said that he learned this morning that Alan Schwartz (the CEO) called Tim Geithner last night to talk about possible Fed flexibility in the event that some repo counterparties (ie the money funds referenced below) do indeed pull away today. So far, Bear has been able to fund in Europe without difficulty today.

Mike apologized that you didn't get a heads up first. Under the circumstances, I think that Erik (and possibly others) should speak with Bear senior management today.

-matt

----- Original Message -----
From: Eichner, Matthew
To: Sirri, Erik R.; Colby, Robert LD; Macchiaroli, Michael A.
Cc: McGowan, Thomas K.; Paz, Marlon; Silva, Kevin; Giles, James; Spurry, Steven; Bettinger, Lori; Roy, Randall W.
Sent: Wed Mar 12 20:42:54 2008
Subject: Bear Stearns

Hi,

Bear seems to have made some progress today on resolving the operational issues around OTC derivatives assignments that appear to have played a role in some of the unhelpful rumors yesterday. They describe the other major dealers firms as having been helpful and cooperative in discussions today. But part of Bear's program involved the adoption of a "pay first ask questions later" policy with regard to most disputes, and Bear paid $1.1 billion to 142 counterparties as a result.

The stock price was up much of the day, and the firm was able to pick up some additional overnight equity repo financing in the morning. However, the tone deteriorated in the afternoon as stocks (including Bear) closed down. They continued to lose customer free credits, but in a smaller amount than over the past two days. Of greater concern, some large and important money funds (ie Fidelity and Melon) telegraphed after the close that they might be hesitant to roll some funding tomorrow. Although the amount in questions are very manageable (between $1 and $2 billion), that signal would not be helpful. The treasury folks were going to reach out to these funds to understand what sort of assurances might be provided.

They closed the day with $8.2 billion of excess liquidity, but expect to recover $4 - $5 billion tomorrow when they do the customer lock-up computation tomorrow morning. In broad brush, they used holding company liquidity over the last few days to pay clients who withdrew balances. When the corresponding lock-up is reduced tomorrow, the resulting additional liquidity will be moved to the holding company.

-matt