

From: Jamison, Bill
Sent: Thursday, June 21, 2007 11:37 AM
To: Ochson, Mary Jo; Belz, Nancy; Sirianni, Mike; Kozemchak, Jeff; Grant, James; Rice, Rae Ann; Benacci, Patrick; Wright, George; Paige Wilhelm; Alberta Meinert; Debbie Cunningham; Joe Natoli; Jonathan Conley; Mark Weiss; Mary Ellen Tesla; Natalie Metz; Tim Trebilcock; Adam Cohen; Joe Mycka; Karl Mocharko; Leslie Ciferno; Lusk, Tracey; Petro, Jeff; Stafford, Charles; Tim Gannon
Cc: Meinert, Alberta (IRTXM01); Gerber, Diane (IRLIB02)
Subject: Bear Stearns Update -- June 2007
You may not have noticed, but Bear has been in the headlines.

Bears' troubles started with the subprime shakeout. Bear manages 2 hedge funds with big exposure and big losses. One report stated that the funds lost some 20% in value and borrowed \$6 billion from the biggest names on Wall Street. The subprime situation is still unfolding. Given the lack of disclosure, it is difficult to gauge what the actual costs of the subprime downturn are or will be. Bear is the canary in the mine shaft at this time.

While the dent to its bottom line has been manageable so far, the headlines are not good. Bear did manage to post net income of \$362 million for the quarter ended May 31, 2007. Earnings were down 33%. Bear has approximately \$13 billion in shareholders' equity.

Ratings

P-1/A1; A-1/A+; F1+/A+

All 3 rating agencies still have Bear on Stable Outlook.

Federated 4 ok, but I am putting it on "See Analyst" as we weather through this storm.
Rolling existing exposure is ok.

Our Exposure

Prime \$350 million

Muni \$500 million

Repo line

FedPortS has been updated.