

From: Jamison, Bill
Sent: Monday, March 10, 2008 4:31 PM
To: Cunningham, Debbie; Conley, Jonathan; Wilhelm, Paige; Weiss, Mark; Ochson, Mary Jo; Sirianni, Mike; Kozemchak, Jeff; Belz, Nancy; Lusk, Tracey; Gannon, Tim; Ciferno, Leslie; Mocharko, Karl; Petro, Jeff; Trebilcock, Tim; Wright, George; Grant, James; Rice, Rae Ann; Benacci, Patrick; Granito, Michael R.; Madden, Tom; Fisher, John; Johnson, Jeffrey; Briner, Richard H.; Bouda, Brian; Risbon, Jim; Brennen, David J.; Bonnewell, Andy; Hill, Sue R. - Research; Mycka, Joe; Varrati, Joseph; Tesla, Mary Ellen; Natoli, Joe; Metz, Natalie
Cc: Gerber, Diane (IRLIB02)
Subject: Bear Stearns -- DOWNGRADED to FED 5 ON HOLD
From what I have gathered to this point, the rumors are just that -- rumors.

Yes, liquidity is harder to come by these days. Still not as difficult as it was back in August 2007. Companies have had time to build backstops and get secured financing. Bear has been increasing their secured funding profile to 76% from 20% a year ago. They are less reliant on likes of commercial paper. Part of today's story might be due to the difficulties in the agency market and Thornburg??

Bob Upton, part of Bear's treasury and funding group, said there was no truth to the rumors. He stated that all clients have rolled exposure today. What else was he going to say to me? Parent Liquidity and Net Cash Capital positions are generally consistent with November 2007 period. He couldn't say much more with the earnings release due out next week.

With earnings due out from the four brokers next week (Bear March 20), maybe someone is trying to protect their short position??

There will be more write-downs this quarter (and next quarter), but generally speaking other business areas have been doing ok. Bear is smaller and less diversified than their peers, but their liquidity and risk management have been areas of strength.

There have been no announcements from the rating agencies.

Bear Stearns weak Federated 5 See Analyst has been **downgraded to weak Federated 5 On Hold**.

Bear will be visiting in early April to give us their credit presentation. I will keep you posted.

Ratings

P-1/A2, stable
A-1/A, negative outlook
Fitch F1/A+, negative outlook
DBRS R-1(m)/A(h), stable outlook

Exposure

Prime \$350 million
Florida \$528 million
Muni \$496 million (of which \$460 is liquidity)