



For Immediate Release
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FINANCE LEADERS QUESTION PLAYERS IN BEAR STEARNS DEAL

Baucus-Grassley letter asks Fed, Treasury Secretary, and CEOs to detail agreement

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) and Ranking Member Chuck Grassley (R-Iowa) are inquiring this week into the terms of the recent, taxpayer-backed sale of the failing Bear Stearns investment firm to JPMorgan Chase. In a letter to the firms' chief executive officers, as well as to Federal Reserve Chairman Ben Bernanke, Treasury Secretary Henry Paulson, and Federal Reserve Bank CEO Timothy Geithner, the Senators requested exact details of the sale agreement, how and by whom it was negotiated, and all parties to it. The Finance Committee has jurisdiction over U.S. debt and the Treasury-backed securities used to guarantee the Bear Stearns deal.

“Americans are being asked to back a brand-new kind of transaction, to the tune of tens of billions of dollars. With jurisdiction over federal debt, it’s the Finance Committee’s responsibility to pin down just how the government decided to front \$30 billion in taxpayer dollars for the Bear Stearns deal, and to monitor the changing terms of the sale,” said Baucus. **“Economic times are tight on Main Street as well as on Wall Street, and we have a responsibility to all taxpayers to review the details of this deal.”**

“Separate from the question of what was needed, or not, to avoid a market panic in the Bear Stearns case are the implications of the deal for the taxpayers,” Grassley said. **“Congress has a responsibility to look at whether the taxpayers will lose money here, what kind of precedent this sets for federal involvement when other firms over-extend themselves, how this will affect the marketplace in other direct and indirect ways, and whether top executives will come out better than the rank-and-file workers who weren’t in the room negotiating the deal.”**

The text of the Senators’ letter follows.

March 26, 2008

Mr. Alan D. Schwartz
President and Chief Executive Officer
The Bear Stearns Companies Inc.
383 Madison Avenue
New York, NY 10179

Mr. James Dimon
Chairman and Chief Executive Officer
JPMorgan Chase & Co.
270 Park Avenue
New York, NY 10017-2070

Mr. Timothy F. Geithner
President and Chief Executive Officer
Federal Reserve Bank of New York
33 Liberty Street
New York, NY 10045

The Honorable Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, D.C. 20551

The Honorable Henry M. Paulson, Jr.
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Gentlemen:

Since its establishment as a permanent committee on December 10, 1816, the Senate Finance Committee's jurisdiction has generally included "bonded debt of the United States."

In carrying out the Finance Committee's oversight responsibilities with respect to the use of bonded debt of the United States, we instructed our staff to review the details of the Bear Stearns-JPMorgan Chase transaction as announced on March 16, 2008, and as may have been or may be in the process of being amended ("the transaction"). We appreciate the briefings provided to our staff by national Federal Reserve staff and Treasury Department staff. We anticipate further staff discussions with the parties to the transaction and Federal officials.

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As we take the next steps in our review, we have several preliminary questions and requests of the parties to the Bear Stearns-JPMorgan Chase transaction.

1. Please provide us with a memorandum on the transaction detailing all steps taken to date and steps that remain to be taken. Please include all pertinent dates.
2. Please provide us with a memorandum describing the assets to be secured by the Federal Reserve in relation to the transaction, including, but not limited to the type of assets, face value and book value of the assets, types of mortgages underlying the assets (e.g., adjustable rate, alt-A, subprime, etc.).
3. Please confirm all the parties (including private and government agencies that participated in negotiations) (collectively referred to herein as "Parties") to the transaction.
4. Please provide us with copies of all documents that have been or that the parties intend to file with the U.S. Securities and Exchange Commission or any other regulatory body and any term sheets that relate to the transaction.
5. Please provide us with the names of all the negotiators who represented the Parties to the transaction.
6. Please provide us with the names of all in-house counsel, outside counsel, accountants, employees and any other professionals who represented the Parties to the transaction.

Please respond by close of business on March 28, 2008. The answers and requested materials should be delivered to the committee office and addressed to Russ Sullivan, Staff Director, Democratic Staff, and Kolan Davis, Staff Director, Republican Staff, Senate Finance Committee. If you have any questions, please do not hesitate to contact Mr. Sullivan at 202-224-4515 or Mr. Davis at 202-224-5315. In advance, we express our appreciation for your cooperation and look forward to working with you on this matter.

Sincerely,

Max Baucus
Chairman

Charles E. Grassley
Ranking Member

CC: The Honorable Christopher Cox
Chairman
U.S. Securities and Exchange Commission

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