DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

ASSISTANT SECRETARY

March 28, 2008

Mr. Russ Sullivan
Staff Director, Democratic Staff
Committee on Finance
United State Senate
Washington, DC 20510

Mr. Kolan Davis
Staff Director, Republican Staff
Committee on Finance
United State Senate
Washington, DC 20510

Dear Messrs. Sullivan and Davis,

I am writing in response to the Committee's letter dated March 26, 2008, requesting certain information from The Bear Stearns Companies, Inc., JPMorgan Chase & Co., the Federal Reserve Bank of New York (FRBNY), the Board of Governors of the Federal Reserve System, and the Department of the Treasury concerning the agreements reached between Bear Stearns and JPMorgan, and JPMorgan and FRBNY ("the agreements") announced on March 16, 2008. Based on the Committee's letter and our related discussions, we understand the Committee to be seeking information from the parties about the details of the agreements reached, and the process for implementing those agreements.

Treasury is most familiar with the agreement between FRBNY and JPMorgan, in which we understand that FRBNY will be extending a non-recourse secured loan facility to JPMorgan in the amount of $29 billion, secured by a pool of assets consisting primarily of mortgage backed securities and related hedge investments. JPMorgan will be providing $1 billion of financing for these assets, and will assume the first loss position. As we have discussed in our briefings of Committee Staff, Treasury is very supportive of this agreement, as well as the merger agreement between JPMorgan and Bear Stearns. Among other things, these agreements were necessary and appropriate to maintain stability in our financial system at a critical juncture. We have enclosed a copy of a letter from Secretary Paulson to FRBNY President Geithner expressing his support for FRBNY's actions.

While Treasury was not a party to the agreements, Treasury personnel, including the Secretary, the Under Secretary for Domestic Finance, the General Counsel, and other individuals from their offices, worked closely with FRBNY as it negotiated with JPMorgan and Bear Stearns. In particular, these individuals worked with their counterparts at the Federal Reserve Board and the FRBNY to support their efforts to reach the above referenced agreements on terms that minimize risks posed to the

taxpayers, as well as to address issues of underlying systemic market risk. In addition, throughout the negotiations various Treasury personnel from these offices participated in discussions with representatives of the parties to the agreements in order to monitor the situation and carry out our duties to protect the marketplace and minimize risks posed to the taxpayers.

With regard to the Committee's specific questions and document requests concerning the agreements, we believe that the parties to those agreements are in possession of the requested information, and thus are in the best position to provide the items you have requested, such as complete and final versions of the agreements, descriptions of assets, memoranda describing the mechanics of the transactions, and a listing of the negotiators and advisors who represented the parties.

We appreciate the Committee's interest in these important events, and look forward to cooperating with you as your work progresses.

Sincerely,

Kevin I. Fromer
Assistant Secretary for Legislative Affairs

Enclosure

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

March 17, 2008

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

Dear Mr. Geithner:

Yesterday, I expressed to you and to the public my appreciation for the additional actions taken by the Federal Reserve to enhance the stability, liquidity and orderliness of our credit markets. This letter underscores that public statement of support.

The Federal Reserve Bank of New York ("FRBNY") has arranged a special credit facility with J.P. Morgan Chase Bank ("JPMCB") to assist with the acquisition of The Bear Stearns Companies. On behalf of the Department of the Treasury, I support this action as appropriate and in the government's interest, and acknowledge that if any loss arises out of the special facility extended by the FRBNY to JPMCB, the loss will be treated by the FRBNY as an expense that may reduce the net earnings transferred by the FRBNY to the Treasury general fund.

Sincerely,

Henry M. Paulson, Jr.

cc: Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve System