

## DOW JONES NEWSWIRE

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### Compliance Watch: Bear Stearns Sale May Cause Lawsuits

By Jaime Levy Pessin

The weekend collapse of Bear Stearns Cos. (BSC) already has lawyers' phones ringing. Several plaintiffs' lawyers say they are getting calls from Bear employees who lost their savings after the firm was sold to JPMorgan Chase & Co. (JPM) for \$2 a share Sunday night. The 85-year-old investment bank had been trading at \$30 as recently as Friday.

Bear Stearns' 14,000 employees own close to one-third of the company's stock.

In a conference call Sunday evening, JPMorgan executives noted there will be additional transaction-related costs of about \$6 billion before taxes. Their slideshow indicated that litigation costs could be a large chunk of that.

The primary claim lawyers are considering are positive statements made last week, when the firm's executives offered reassurances that the bank's financial position was sound.

"You have to wonder how much was truthful when they said, 'We don't have any issues,'" said Steven Caruso, a lawyer with Maddox Hargett & Caruso P.C. He said he had received two calls from Bear employees by mid-morning Monday.

Jacob Zamansky, a Manhattan lawyer who also said he was fielding calls from Bear employees, said he was focusing on executives' comments about the lack of a liquidity crisis, as well as "a lack of proper disclosure going back the past year regarding the mortgage securities (the firm held), and the extent to which most of their eggs were in one basket."

Even as it became increasingly clear that Bear Stearns was imploding, employees were stuck holding the bag: Because the firm had been expected to release earnings soon, employees were not allowed to buy or sell company stock in recent weeks.

Pittsburgh law firm Stember Feinstein Doyle & Payne LLC is investigating whether Bear Stearns may have violated the Employee

Retirement Income Security Act of 1974 by offering its own stock as part of employees' retirement plans when it knew the stock was too risky and its value was deteriorating.

Another angle lawyers might pursue is why the firm's directors sold the company for such a small amount.

"The directors who approved the deal had a fiduciary responsibility to all shareholders - they need to justify that," Caruso said. "What went into the thinking? Were they really that dead?"

Raising the stakes for Bear employees who lost their savings is their uncertainty over whether they will keep their jobs, lawyers said.

Even if they lose their jobs, they still may be on the hook for promissory notes they were given in exchange for upfront payments when they joined the firm, said Stuart Meissner, a Manhattan lawyer who also is hearing from Bear employees.

And lost jobs may not be so easy to replace as the rest of Wall Street struggles to avoid a similar fate.

Instead of "multi-million-dollar stock cushions," Zamansky said, "most people will be left with virtually nothing to fall back on while they look for jobs in the worst job market on Wall Street in decades."