

## THE INTERNATIONAL INVESTOR

## Pension funds sue over Bear price

*Restraining order sought against deal with J.P. Morgan*

By ROBIN SIDEL  
AND KATE KELLY

The legal fight over J.P. Morgan Chase & Co.'s planned \$1.18 billion purchase of Bear Stearns Cos. pushed into high gear as two Michigan pension funds filed court papers seeking a temporary restraining order against the transaction.

And on the day after J.P. Morgan

moved to seal the deal by quizzing its bid, senior bank executives resumed diving into the nitty-gritty of combining the two firms.

Steve Black and Bill Whiners, co-heads of J.P. Morgan's investment bank, spent much of the day at Bear's headquarters in New York's midtown Manhattan—just steps away from J.P. Morgan's corporate offices. The two executives met with senior Bear bankers as they sorted through the process of deciding who they want to join J.P. Morgan's management team. A final plan is expected to be unveiled in the next few weeks.

"It's like dating after the wedding," one senior J.P. Morgan executive said Tuesday.

The revised offer was valued Tuesday at \$1.18 billion, or \$10.02 a share. That still is a steep discount to the \$30 range where the stock was trading before a liquidity crisis two weeks ago brought Bear to the brink of collapse.

James Dimon, J.P. Morgan's chairman and chief executive, has been spending most of his time in his regular office, and hasn't been at Bear's headquarters much since the revised deal was announced Monday. Last week, he took a verbal beating from some Bear bankers in a tense meeting that took place shortly after the \$2-a-share bid was announced.

Although Mr. Dimon hasn't taken up regular residence at Bear's headquarters, J.P. Morgan's security guards have. The bank has sta-

tioned its own in-house security guards in Bear's lobby to speed up processing for the hundreds of J.P. Morgan bankers who stream into the building each day.

Meanwhile, two pension funds representing retired members of Detroit's police and fire departments and other current and retired employees of Wayne County, Michigan, filed a motion in Delaware state chancery court seeking an injunction against the deal.

The pension funds are asking the court to halt J.P. Morgan's plans to buy 95 million newly issued shares of Bear that would give it a 39.5% stake in the company—providing it with a big leg up in securing the majority of shareholder votes needed to approve the deal.

Calling the \$10-a-share price "grossly inadequate," the motion contends that J.P. Morgan and Bear Stearns, "anticipating stockholder disapproval...have devised an improper plan to buy the necessary votes from the company."

The Wayne County pension fund also sued Bear, its board of directors and J.P. Morgan on Monday, alleging that Bear's board breached its fidu-

ciary duty by accepting a low-ball bid for the firm. In that complaint, the pension fund is seeking to unravel the current deal and compel Bear directors to look for a higher offer.

Representatives of J.P. Morgan and Bear Stearns declined to comment on the litigation.

Also Tuesday, additional details emerged on which Bear businesses are most attractive to J.P. Morgan—and how it plans to fold those operations into its own. J.P. Morgan executives have told Bear employees that they will integrate the firm's prime brokerage and global trade-processing or so-called clearing business, which include about 800 of Bear's 14,000 employees, according to people familiar with the situation.

Those are two of the easiest decisions for J.P. Morgan, which lacks a prime brokerage unit and has long covered one. The business provides lending, cash-management and other services to hedge funds. Although the unit has grown rapidly in recent years, customer balances dipped at the end of last year, likely reflecting customer fears about the credit crunch.

Bear's global clearing business, which provides trade-completion to small broker-dealers, also houses its large prime brokerage operation, which lends money and helps execute trades for hedge funds and other clients. During fiscal 2007, the Bear unit's net revenue was \$1.2 billion, or one-fifth of the firm's overall revenue, according to company filings. J.P. Morgan's existing clearing business, meanwhile, typically caters to larger customers.

The fate of most of Bear's employees remains unclear. Although a number of firms have been circling Bear's talent pool, most Wall Street firms are cutting back their own staffs and so are unlikely to hire large numbers of Bear employees.

Others are purposely staying away so it doesn't appear they are stomping on a rival's grave. Lehman Brothers Holdings Inc., for example, has put in place a system that makes it difficult for its individual divisions to raid Bear, according to a person familiar with the situation. Lehman's head of human resources must sign off on any employee who is hired from Bear. It isn't clear whether any senior hires have taken place at this point. Still, across the trading and

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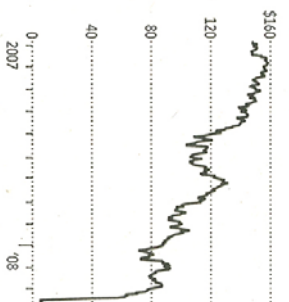
toward essentially denying the employees of the Wall Street company a vote on a deal that affects their life savings.

The proposed structure of J.P. Morgan Chase & Co.'s takeover of Bear Stearns gives Mr. Dimon's bank so much control over the voting process, so early, that employees shareholders don't have much of a chance to vote "no" or for a rival bidder.

In fact, J.P. Morgan already is most of the way toward the simple majority of votes it would take to approve the deal under the new terms. J.P. Morgan would get 39.5% of Bear Stearns by April 8, which means the bank would need only an additional 10.5% of Bear's shares outstanding.

Bear's directors and executive

DAILY SHARE PRICE  
Bear Stearns (BSC)  
Wednesday's close: \$11.21, up 27 cents  
52-week change: down 92%



Source: WSJ Market Data Group

brokerage divisions, top Bear players are fielding offers from competitors, say current and former employees.

Meanwhile, some Bear employees received another blow last week when they sold personal stock holdings in the days after the original deal was announced. Although the transaction valued Bear at \$2 a share, the stock rose well above the offer price on hopes for a higher bid. Some employees wound up selling their stock at \$5 after Bear lifted a ban on selling shares.

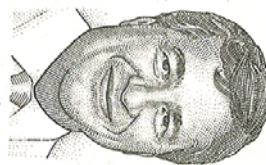
—Susanne Craig and Evelyn Juan contributed to this article.

officers would hold an additional 5% of the votes after the dilution of shares represented in the new deal.

That means Bear Stearns's employee shareholders can't actively raise a ruckus.

Of course, even without their vote, upset employees may want to remember that the reason their stock is up at all is probably because of Mr. Dimon. By stabilizing Bear, J.P. Morgan took Bear's market value from "near bankruptcy" to \$1.45 billion late Wednesday morning.

—Heidi N. Moore



James Dimon

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OT APPEARS to be setting in for investment-banking fees in Asia.

According to Thomson Financial, investment-banking fees in the region, excluding Japan, declined 54% to \$2.1 billion in the year to Wednesday from \$2.22 billion in the year-earlier period. The number of deals, including mergers, debt and equity underwriting, fell 15% to 2,369 from 2,794.

## Getting out the vote

James Dimon has said he wants to win over Bear Stearns Cos.'s employees. But he took a big step

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