EXHIBIT D

Fuld Blames Lehman's Fall on Rumors, `Storm of Fear' (Update2)

By Lorraine Woellert, Yalman Onaran
Published: October 6, 2008 2:21 PM

(Bloomberg) - Richard Fuld, the chief executive officer of Lehman Brothers Holdings Inc., said the investment bank was felled by rumors, out-of-date rules and slow reactions by regulators that fueled a ``storm of fear'' on Wall Street.

``Ultimately what happened to Lehman Brothers was caused by a lack of confidence,'' Fuld said today in testimony to congressional investigators in Washington. ``This was not a lack of confidence in just Lehman Brothers, but part of what has been called a storm of fear enveloping the entire investment-banking field and our financial institutions generally.''

Fuld, 62, blamed ``a litany of destabilizing factors'' for Lehman's failure, including widening costs to borrow, accounting rules that forced it to write down the value of its assets to fire-sale prices, short selling without having to borrow the shares of a company, and imminent credit downgrades by rating companies. He said he took ``full responsibility'' for the decisions he made, and said Lehman ``did not mislead investors.''

Lehman, once the fourth-largest U.S. investment bank, succumbed to the subprime mortgage crisis it helped create. The 158-year-old company collapsed after concern about losses from its mortgage portfolio spooked investors and creditors. While the mortgage meltdown forced two other Wall Street firms to sell themselves to bigger banks, Lehman declared bankruptcy, the biggest in history, after failing to find a buyer.

First Appearance

Fuld's remarks were given to the House Committee on Oversight and Government Reform in his first public appearance since Sept. 10, five days before New York-based Lehman filed for bankruptcy.

The committee chairman, California Democrat Henry Waxman, said in opening remarks that Fuld and Lehman's top management failed to accept their roles in the company's downfall.

``Mr. Fuld takes no responsibility for the collapse of Lehman,'' Waxman said. Thousands of pages of internal documents reveal ``a company in which there was no accountability for failure,'' he said.

In his testimony, Fuld described a cascade of events that

Bernanke and U.S. Treasury Secretary Hank Paulson were assuring the public that the crisis in the mortgage markets would not spread.

``I too said what I absolutely believed to be true at the time -- that the worst of the impact to the financial markets was behind us,'' Fuld said. ``With the benefit of hindsight, I can now say that I and many others were wrong.''

Shareholder Meeting

That was at the company's annual shareholder meeting in April, when Lehman was trading at about $40 and had more than 28,000 employees in 28 countries. Less than six months later, the company declared bankruptcy.

``We did everything we could to protect the firm,'' Fuld said. Lehman shuttered its mortgage origination business, shed 38 percent of its real-estate assets, and cut debt.

``We made changes to our senior management team and reduced expenses. We sought strategic investors for a sale of all or part of the firm. We called on regulators to clamp down on abusive short selling practices,'' Fuld said.

Throughout 2008, regulators from the Securities and Exchange Commission and the Fed conducted almost daily oversight of the company's businesses and balance sheet, reviewing their decisions on how to value mortgage-related assets, Fuld said.

Bank Conversion

During the summer, the bank discussed with the Fed the possibility of converting to a bank-holding company, a move designed to give the firm access to deposits as a source of funding. The discussions were fruitless, the CEO said.

Had they approved Lehman's effort to increase its liquidity, ``that would have been extraordinarily helpful,'' Fuld said in his prepared remarks. Days after Lehman filed for bankruptcy, the Fed took ``expedited action'' to approve applications by Lehman's larger rivals, Goldman Sachs Group Inc. and Morgan Stanley, to become bank-holding companies.

In the second quarter of 2008, Lehman began working with federal regulators to spin off its commercial real-estate operation into a publicly-traded company. Before the company could execute the plan, its share price started dropping on speculation it was in negotiations with Korea Development Bank about a possible investment and talk that the company was having difficulty raising cash.

The reports ``compelled us to pre-announce earnings before we had a chance to complete those plans or any of the alternatives we were pursuing,'' Fuld said. Partners started to withdraw business and demand more collateral for trades.

Fed Support

Days later, ``it was obvious that the Federal Reserve had made a decision it would not provide support for a transaction involving Lehman Brothers. Had that decision been different, further dislocations in the markets might have been avoided,'' Fuld said.

Lehman may have misled clients and investors about the extent of its losses in the days leading up to the bankruptcy, the Wall Street Journal reported, citing filings and interviews. In a Sept. 10 conference call, Lehman executives told investors its capital

Fuld Blames Lehman's Fall on Rumors, `Storm of Fear' (Update2)

By Lorraine Woellert, Yalman Onaran
Published: October 6, 2008 2:21 PM

(Bloomberg) - Richard Fuld, the chief executive officer of Lehman Brothers Holdings Inc., said the investment bank was felled by rumors, out-of-date rules and slow reactions by regulators that fueled a ``storm of fear'' on Wall Street.

``Ultimately what happened to Lehman Brothers was caused by a lack of confidence,'' Fuld said today in testimony to congressional investigators in Washington. ``This was not a lack of confidence in just Lehman Brothers, but part of what has been called a storm of fear enveloping the entire investment-banking field and our financial institutions generally.''

Fuld, 62, blamed ``a litany of destabilizing factors'' for Lehman's failure, including widening costs to borrow, accounting rules that forced it to write down the value of its assets to fire-sale prices, short selling without having to borrow the shares of a company, and imminent credit downgrades by rating companies. He said he took ``full responsibility'' for the decisions he made, and said Lehman ``did not mislead investors.''

Lehman, once the fourth-largest U.S. investment bank, succumbed to the subprime mortgage crisis it helped create. The 158-year-old company collapsed after concern about losses from its mortgage portfolio spooked investors and creditors. While the mortgage meltdown forced two other Wall Street firms to sell themselves to bigger banks, Lehman declared bankruptcy, the biggest in history, after failing to find a buyer.

First Appearance

Fuld's remarks were given to the House Committee on Oversight and Government Reform in his first public appearance since Sept. 10, five days before New York-based Lehman filed for bankruptcy.

The committee chairman, California Democrat Henry Waxman, said in opening remarks that Fuld and Lehman's top management failed to accept their roles in the company's downfall.

``Mr. Fuld takes no responsibility for the collapse of Lehman,'' Waxman said. Thousands of pages of internal documents reveal ``a company in which there was no accountability for failure,'' he said.

In his testimony, Fuld described a cascade of events that

Bernanke and U.S. Treasury Secretary Hank Paulson were assuring the public that the crisis in the mortgage markets would not spread.

``I too said what I absolutely believed to be true at the time -- that the worst of the impact to the financial markets was behind us,'' Fuld said. ``With the benefit of hindsight, I can now say that I and many others were wrong.''

Shareholder Meeting

That was at the company's annual shareholder meeting in April, when Lehman was trading at about $40 and had more than 28,000 employees in 28 countries. Less than six months later, the company declared bankruptcy.

``We did everything we could to protect the firm,'' Fuld said. Lehman shuttered its mortgage origination business, shed 38 percent of its real-estate assets, and cut debt.

``We made changes to our senior management team and reduced expenses. We sought strategic investors for a sale of all or part of the firm. We called on regulators to clamp down on abusive short selling practices,'' Fuld said.

Throughout 2008, regulators from the Securities and Exchange Commission and the Fed conducted almost daily oversight of the company's businesses and balance sheet, reviewing their decisions on how to value mortgage-related assets, Fuld said.

Bank Conversion

During the summer, the bank discussed with the Fed the possibility of converting to a bank-holding company, a move designed to give the firm access to deposits as a source of funding. The discussions were fruitless, the CEO said.

Had they approved Lehman's effort to increase its liquidity, ``that would have been extraordinarily helpful,'' Fuld said in his prepared remarks. Days after Lehman filed for bankruptcy, the Fed took ``expedited action'' to approve applications by Lehman's larger rivals, Goldman Sachs Group Inc. and Morgan Stanley, to become bank-holding companies.

In the second quarter of 2008, Lehman began working with federal regulators to spin off its commercial real-estate operation into a publicly-traded company. Before the company could execute the plan, its share price started dropping on speculation it was in negotiations with Korea Development Bank about a possible investment and talk that the company was having difficulty raising cash.

The reports ``compelled us to pre-announce earnings before we had a chance to complete those plans or any of the alternatives we were pursuing,'' Fuld said. Partners started to withdraw business and demand more collateral for trades.

Fed Support

Days later, ``it was obvious that the Federal Reserve had made a decision it would not provide support for a transaction involving Lehman Brothers. Had that decision been different, further dislocations in the markets might have been avoided,'' Fuld said.

Lehman may have misled clients and investors about the extent of its losses in the days leading up to the bankruptcy, the Wall Street Journal reported, citing filings and interviews. In a Sept. 10 conference call, Lehman executives told investors its capital levels were adequate a day after the company determined it needed to raise at least $3 billion, the newspaper said, citing unidentified people familiar with the matter. Lehman also may have overvalued its real-estate holdings, the paper said.

The congressional committee is looking into regulatory mistakes and financial excesses that led to the bankruptcy filing. The company's implosion ``sparked a financial crisis on Wall Street that is causing massive economic disruption," Waxman said in a written statement.

Taxpayers `Entitled'

``We need to understand why Lehman failed and who should be held accountable," Waxman said. ``The taxpayers are being asked to pay $700 billion to bail out Wall Street. They are entitled to know who caused the meltdown and what reforms are needed."

Fuld was awarded $40 million last year, when the firm reported record earnings of $4.2 billion.

``While Mr. Fuld and other Lehman executives were getting rich, they were steering Lehman Brothers and our economy toward a precipice," Waxman said. He estimated Fuld earned almost $500 million in compensation during the past eight years, and asked the CEO if his compensation was ``fair," given the bankruptcy filing.

Fuld took issue with Waxman's estimate, saying the vast majority came in the form of stock awards. He said the figure was closer to $250 million, and he owned 10 million Lehman shares when the firm went bankrupt.

AIG Executives

Fuld, the longest serving CEO on Wall Street, is the only Lehman executive appearing before the committee. Former AIG Chief Executive Officers Robert Willumstad, Martin J. Sullivan and Maurice R. Greenberg are scheduled to testify tomorrow.

Bear Stearns Cos. was the first Wall Street firm felled by the mortgage meltdown, taken over in May by New York-based JPMorgan Chase & Co. in a deal orchestrated by the Fed. Lehman surpassed Bear Stearns as the biggest underwriter of mortgage-backed bonds last year, while lax lending standards to subprime borrowers were starting to push up default rates.

Merrill Lynch & Co., the third-largest U.S. securities firm, agreed to be sold to Bank of America Corp. the same weekend that Lehman collapsed.

The week following Lehman's collapse, the U.S. government loaned AIG, the largest U.S. insurance company, $85 billion to prevent its demise and prepared a $700 billion rescue package to buy troubled mortgage assets from banks. The House of Representatives rejected the package in the first attempt to pass it on Sept. 29, partly because of objections that it would aid CEOs who were responsible for the problem. An amended measure passed the Senate and House and was signed into law on Oct. 3.

Executive Positions

Fuld is still the CEO of Lehman's holding company. Executives of Alvarez & Marsal, the turnaround specialist hired to oversee the restructuring during the bankruptcy, have taken the positions of chief financial officer, co-treasurer and co- chief operating officer.

Fuld joined Lehman in 1969 at the age of 23. He was head of trading when the firm was sold to American Express Co. in 1984 after a row between investment bankers and traders. While the top executives left before or soon after the merger, Fuld remained at the firm, eventually convincing American Express to spin it off. He was the first CEO of Lehman when it went public in 1994.

While credited for having turned the company into one of the powerhouses of Wall Street, Fuld was also criticized for piling into mortgages, even as the market was breaking apart.

Understanding Risk

``His biggest mistake was not understanding the risk side," Egan-Jones's Egan said.

Lehman's leverage -- the ratio of total assets to shareholders' equity -- was 31 last year when the mortgage market plummeted. That compares with 33 at Morgan Stanley and 32 at Merrill Lynch. Only Goldman Sachs had a lower ratio, at 22.

Since the collapse of the subprime home-loan market last year, the world's biggest banks and brokerages have reported almost $600 billion of writedowns and credit losses on securities tied to mortgages. Lehman still had a $50 billion stockpile of the investments at the end of August. Falling housing prices and fear of a U.S. recession have eroded prices for the holdings.

Founded in 1850 by three immigrants from Germany, Lehman averted previous potential disasters and was among a handful of U.S. financial firms that endured for more than a century.

Editors: Steve Dickson, William Ahearn.

levels were adequate a day after the company determined it needed to raise at least $3 billion, the newspaper said, citing unidentified people familiar with the matter. Lehman also may have overvalued its real-estate holdings, the paper said.

The congressional committee is looking into regulatory mistakes and financial excesses that led to the bankruptcy filing. The company's implosion ``sparked a financial crisis on Wall Street that is causing massive economic disruption," Waxman said in a written statement.

Taxpayers `Entitled'

``We need to understand why Lehman failed and who should be held accountable," Waxman said. ``The taxpayers are being asked to pay $700 billion to bail out Wall Street. They are entitled to know who caused the meltdown and what reforms are needed."

Fuld was awarded $40 million last year, when the firm reported record earnings of $4.2 billion.

``While Mr. Fuld and other Lehman executives were getting rich, they were steering Lehman Brothers and our economy toward a precipice," Waxman said. He estimated Fuld earned almost $500 million in compensation during the past eight years, and asked the CEO if his compensation was ``fair," given the bankruptcy filing.

Fuld took issue with Waxman's estimate, saying the vast majority came in the form of stock awards. He said the figure was closer to $250 million, and he owned 10 million Lehman shares when the firm went bankrupt.

AIG Executives

Fuld, the longest serving CEO on Wall Street, is the only Lehman executive appearing before the committee. Former AIG Chief Executive Officers Robert Willumstad, Martin J. Sullivan and Maurice R. Greenberg are scheduled to testify tomorrow.

Bear Stearns Cos. was the first Wall Street firm felled by the mortgage meltdown, taken over in May by New York-based JPMorgan Chase & Co. in a deal orchestrated by the Fed. Lehman surpassed Bear Stearns as the biggest underwriter of mortgage-backed bonds last year, while lax lending standards to subprime borrowers were starting to push up default rates.

Merrill Lynch & Co., the third-largest U.S. securities firm, agreed to be sold to Bank of America Corp. the same weekend that Lehman collapsed.

The week following Lehman's collapse, the U.S. government loaned AIG, the largest U.S. insurance company, $85 billion to prevent its demise and prepared a $700 billion rescue package to buy troubled mortgage assets from banks. The House of Representatives rejected the package in the first attempt to pass it on Sept. 29, partly because of objections that it would aid CEOs who were responsible for the problem. An amended measure passed the Senate and House and was signed into law on Oct. 3.

Executive Positions

Fuld is still the CEO of Lehman's holding company. Executives of Alvarez & Marsal, the turnaround specialist hired to oversee the restructuring during the bankruptcy, have taken the positions of chief financial officer, co-treasurer and co- chief operating officer.

Fuld joined Lehman in 1969 at the age of 23. He was head of trading when the firm was sold to American Express Co. in 1984 after a row between investment bankers and traders. While the top executives left before or soon after the merger, Fuld remained at the firm, eventually convincing American Express to spin it off. He was the first CEO of Lehman when it went public in 1994.

While credited for having turned the company into one of the powerhouses of Wall Street, Fuld was also criticized for piling into mortgages, even as the market was breaking apart.

Understanding Risk

``His biggest mistake was not understanding the risk side," Egan-Jones's Egan said.

Lehman's leverage -- the ratio of total assets to shareholders' equity -- was 31 last year when the mortgage market plummeted. That compares with 33 at Morgan Stanley and 32 at Merrill Lynch. Only Goldman Sachs had a lower ratio, at 22.

Since the collapse of the subprime home-loan market last year, the world's biggest banks and brokerages have reported almost $600 billion of writedowns and credit losses on securities tied to mortgages. Lehman still had a $50 billion stockpile of the investments at the end of August. Falling housing prices and fear of a U.S. recession have eroded prices for the holdings.

Founded in 1850 by three immigrants from Germany, Lehman averted previous potential disasters and was among a handful of U.S. financial firms that endured for more than a century.

Editors: Steve Dickson, William Ahearn.