EXHIBIT E

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HEADLINE: Lehman's Demise Triggered Cash Crunch Around Globe --- Decision to Let Firm Fail Marked a Turning Point in Crisis

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BODY:

Two weeks ago, Wall Street titans and the government's most powerful economic stewards made a fateful choice: Rather than propping up another failing financial institution, they let 158-year-old Lehman Brothers Holdings Inc. collapse.

Now, the consequences of that decision look more dire than almost anyone imagined.

Lehman's bankruptcy filing in the early hours of Monday, Sept. 15, sparked a chain reaction that sent credit markets into disarray. It accelerated the downward spiral of giant U.S. insurer American International Group Inc. and precipitated losses for everyone from Norwegian pensioners to investors in the Reserve Primary Fund, a U.S. money-market mutual fund that was supposed to be as safe as cash. Within days, the chaos enveloped even Wall Street pillars Goldman Sachs Group Inc. and Morgan Stanley. Alarmed U.S. officials rushed to unveil a more systemic solution to the crisis, leading to Sunday's agreement with congressional leaders on a $700 billion financial-markets bailout plan.

The genesis and aftermath of Lehman's downfall illustrate the difficult position policy makers are in as they grapple with a deepening financial crisis. They don't want to be seen as too willing to step in and save financial institutions that got into trouble by taking big risks. But in an age where markets, banks and investors are linked through a web of complex and opaque financial relationships, the pain of letting a large institution go has proved almost overwhelming.

In hindsight, some critics say the systemic crisis that has emerged since the Lehman collapse could have been avoided if the government had stepped in. Before Lehman, federal officials had dealt with a series of financial brushfires in a way designed to keep troubled institutions such as Fannie Mae, Freddie Mac and Bear Stearns Cos. in business. Judging them as too big to fail, officials committed billions of taxpayer dollars to prop them up. Not so Lehman.

"I don't understand why they didn't understand that the markets would be completely spooked by this failure," says Richard Portes, professor of economics at London Business School and president of the Centre for Economic Policy Research. Rather than showing the government's resolve, he says, letting Lehman fail only exacerbated the central problem that has afflicted markets since the financial crisis began more than a year ago: Nobody knows which financial firms will be able to make good on their debts.

To be sure, Lehman's downfall was largely of its own making. The firm bet heavily on investments in overheated real-estate markets, used large amounts of borrowed money to supercharge its returns, then was slower than others to recognize its losses and raise capital when its bets went wrong. The depth of the firm's woes made finding a willing buyer a difficult task, leaving officials with few viable options.

Given the limited time and information available, many experts believe government officials made the best choices possible.

As they watched Lehman struggle to raise capital, policy makers -- including Treasury Secretary Henry Paulson, Federal Reserve Chairman Ben Bernanke and New York Fed President Timothy Geithner -- mulled the question of whether they could let Lehman fail. On the one hand, they didn't want to come to the rescue because they were concerned about moral hazard, the idea that bailouts encourage irresponsible risk-taking, according to people familiar with the planning. They doubted Lehman had viable buyers and they thought the market and the Fed had had time to prepare to handle the fallout if a big institution collapsed. Still, some Fed officials were leery of sending signals that the Fed was done working with Wall Street to stop the spreading crisis. Mr. Geithner, for one, had been telling others that the markets were still in for serious trouble.

"If you don't do something, the outcome is going to be bad," Mr. Geithner told executives as they gathered to bargain over Lehman's fate at the New York Fed's downtown headquarters on Friday night, Sept. 12, according to a person in the meeting.

At one point, officials raised with Wall Street bankers the possibility of a private-sector rescue fund, but the bankers either balked at the idea of bailing out a competitor or didn't have the extra funds needed, people familiar with the situation said.

Over the weekend, as possible buyouts by Bank of America Corp. and U.K. bank Barclays PLC fell through, Fed officials focused on what needed to be done to prepare markets for what would be the largest bankruptcy in U.S. history. Lehman's total assets of more than $630 billion dwarf WorldCom's assets when the telecom company filed for bankruptcy in 2002 with assets of $104 billion.

Officials were particularly concerned with two areas: the credit-default-swap market, where players buy and sell insurance against defaults on corporate and other bonds; and the so-called repo market, where Wall Street banks fund their investments by putting up securities as collateral for short-term loans.

The Fed had been pushing Wall Street firms for months to set up a new clearinghouse for credit-default swaps. The idea was to provide a more orderly settlement of trades in this opaque, diffuse market with a staggering $55 trillion in notional value, and, among other things, make the market less vulnerable if a major dealer failed. But that hadn't gotten off the ground. As a result, nobody knew exactly which firms had made trades with Lehman and for what amounts. On Monday, those trades would be stuck in limbo. In a last-ditch effort to ease the problem, New York Fed staff worked with Lehman officials and the firm's major trading partners to figure out which firms were on opposite sides of trades with Lehman and cancel them out. If, for example, two of Lehman's trading partners had made opposite bets on the debt of General Motors Corp., they could cancel their trades with Lehman and face each other directly instead.

The Fed had also seen with the collapse of Bear Stearns how the repo market was prone to severe disruptions when lenders got skittish, a problem that threatened to cut off crucial funding to Wall Street banks. Because repo loans are made for periods of as little as a day, the funding can disappear suddenly -- one reason the Fed set up an emergency facility to lend to securities firms in the wake of Bear Stearns's collapse. Fed officials worked furiously through Sunday to expand that facility, allowing banks to put up as collateral for loans a wider range of securities, including stocks.

On Sunday, after the Barclays deal fell through, the group began to "spray foam on the runway" -- the term Mr. Geithner used to describe measures to cushion the blow. By that night, Fed officials recognized that their preparations might not cover all contingencies. Still, they expected the turbulence to settle down after a time, with the help of the expanded lending facilities they hurried Sunday to put in place. They also felt that financial institutions and markets had been given enough time to prepare for the shock of a large failure since the crisis consumed Bear Stearns in March.

But Lehman's bankruptcy, filed early Monday morning in federal bankruptcy court -- case No. 08-13555 -- proved far more destabilizing, and spread much further, than many had expected. The bankruptcy immediately wiped out huge investments for Lehman shareholders and bondholders. Among the biggest was Norway's government pension fund, which invests the country's surplus oil revenue. As of the end of 2007, the most recent data available, the fund owned more than $800 million worth of Lehman bonds and stock. Lehman's demise has become a lightning rod for critics who have long questioned the way the government was investing the oil resources. A spokesman said the fund's management is "very concerned and monitoring the situation closely."

The government's decision to let Lehman go marked a turning point in the way investors assess risk. When the Fed stepped in to engineer the takeover of Bear Stearns by J.P. Morgan Chase & Co. in March, Bear's shareholders lost most of their investments, but bondholders came out well. In the financial hierarchy of risk, this wasn't surprising, since bondholders have more contractual rights to get their money back than equity holders. But it created a false impression among investors that the government would step in to rescue bondholders when the next bank ran into trouble. By letting Lehman fail, the government had suddenly disabused the market of that notion.