Crisis on Wall Street as Lehman Totters, Merrill Is Sold, AIG Seeks to Raise Cash

The American financial system was shaken to its core on Monday when a key Lehman Brothers executive said the company was “on the edge” of bankruptcy, and a major insurance company sought an emergency credit line. These developments followed a tumultuous weekend in which the government stepped in to prop up two of the nation’s biggest banks.

Lehman, which is based in New York and is one of the largest investment banks in the world, said Monday that it was “on the brink of failure” and that it was seeking a $5 billion emergency loan from the Federal Reserve Bank of New York.

Merrill Lynch, which is based in Charlotte, N.C., said it had reached an agreement to be sold to Bank of America for $50 billion, or $29 a share, in an effort to stave off bankruptcy.

AIG, the giant insurance company, said it had reached a preliminary agreement with the New York attorney general to raise $37 billion in emergency funding.

The developments came as Wall Street continued to grapple with the worst crisis since the Great Depression, and as investors and regulators sought to stabilize the broader financial system.

**Federal Reserve May Have Been Too Slow**

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The report, which was based on interviews with more than 100 people, said the Fed had failed to act quickly enough to prevent the collapse of Lehman Brothers.

The report also said that the Fed had not done enough to help other troubled banks, such as AIG, which had sought an emergency line of credit.

**Fed to Expand Its Lending Arsenal**

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The move was part of a coordinated effort by central banks around the world to provide liquidity to the financial system.

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Fed Expands Lending Facilities in Bid for Stability

Lehman Totters as U.S. Opts to Avoid Financial Rescue

Credit Check

A summary of credit default swaps and how they play into Lehman's woes. (For more on credit default swaps, see page 109.)

The problem with Lehman

In the wake of the credit crisis, banks have been reluctant to extend credit to Lehman. The bank's difficulties have gotten so bad that in January, Standard & Poor's lowered its credit rating to triple-B negative. The bank has lost billions of dollars in the last quarter and is哈 worried about the future.

Lehman and its chief financial officer, Joseph O’Connor, have been under increasing pressure to cut costs and boost earnings. The bank has already announced plans to cut 6,000 jobs and reduce its workforce by 20%.

The company has also been struggling to raise capital to support its leveraged balance sheet. Lehman has $5 billion in liquidity reserves, but $3 billion of that is controlled by counterparties who can seize the assets if the bank defaults.

Regulator Plans to Bar Big Severe

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Ultimatum Sparked Frantic End

Confronted from Page One the notice that the government-sponsored agencies feared financial firms might take more radical steps to sell off assets, BofA officials were forced to decide whether to make a last-ditch effort to save the failing giant, or to face the consequences of a deal with Lehman. A deal with Merrill would mean a potentially huge loss, but keeping Lehman on life support also meant taking on a potentially massive financial burden.

A spotlight was thrown on the President's failure to deal with Lehman's collapse last weekend when the three financial institutions announced they would sell assets to the sale of Lehman's real estate portfolio by Goldman Sachs, a move that came after 10 days of frantic planning and intense debate.

The plan, which was reached in a midnight meeting between the Treasury and the Fed, was designed to save Lehman by allowing it to sell its real estate assets for $6.5 billion, in a deal that would include a $1.5 billion cash payment from BofA.

The meeting was aimed at preventing a global financial crisis by averting a potential Lehman default, which would have triggered a chain reaction of losses and defaults across the financial system.
AIG Scrambles to Raise Cash, Talks to Federal Reserve

Insurance Looks to Sell Automotive Business, Annuities Unit; It Seeks $10 Billion in Fresh Capital as Downgrade Threatens

During the past two weeks, AIG had to rely on emergency capital infusions to stave off a rating downgrade. The situation for the world's biggest insurer is deteriorating, and AIG’s stock is down 13% in the past week, the steepest slide among the S&P 500’s 10 biggest losers. AIG’s woes have put pressure on other financial companies, including Fannie Mae and Freddie Mac, to raise cash to avoid similar rating moves.

AIG and other American financial institutions are struggling to raise cash amid a worst-case scenario for the U.S. economy. The company’s troubles have triggered a sell-off in its shares, which have dropped 25% in the past week, and raised concerns about the stability of the financial system.

The company has been forced to cut expenses and sell assets, including its automotive business and annuities unit. Despite these actions, AIG’s capital position remains weak, and it has requested emergency funding from the Federal Reserve.

AIG’s problems are part of a broader crisis that has hit the financial industry and the global economy. The company’s troubles have raised concerns about the wider impact of the crisis on the financial system and the economy.

In addition to AIG, other financial institutions have also been struggling, including Fannie Mae and Freddie Mac. These companies have been forced to cut their dividends and raise capital to avoid rating downgrades.

The crisis has hit many parts of the global economy, with stock markets plunging and oil prices rising. The situation has raised concerns about the wider impact of the crisis on the economy and the stability of the financial system.

Despite these challenges, some analysts believe that the financial system is resilient and that the worst may be over. However, others warn that the situation remains uncertain and that more problems could emerge.

In the meantime, AIG and other financial institutions are trying to raise capital and stabilize their positions. The company has announced plans to sell its automotive business and annuities unit, and other financial institutions are also exploring options to raise capital.

The crisis has raised concerns about the wider impact of the crisis on the economy and the stability of the financial system. However, some analysts believe that the financial system is resilient and that the worst may be over. The situation remains uncertain, and more problems could emerge in the future.
MARKETBEAT
Market Insight From WSJ.com

Imair Market Requires Agility
A Week of Wild Swings Ends With Dow Industrials Rising

By Denise Garcia

The possible performance of markets this week turned out well for some, while others were overwhelmed. Dow Industrials were overwhelmed, despite the news that the Federal Reserve will not change interest rates. The Dow Industrials were not the only ones that were overwhelmed, as the Standard & Poor’s 500 Index and the Nasdaq also fell sharply amid the news of more rate hikes and the Federal Reserve’s decision to cut its key interest rate.

‘Twas the season for investors to prepare for a possible rate hike by the Federal Reserve this week, and the Dow Industrials were not the only ones that were overwhelmed. The Dow Industrials were not the only ones that were overwhelmed, as the Standard & Poor’s 500 Index and the Nasdaq also fell sharply amid news of more rate hikes and the Federal Reserve’s decision to cut its key interest rate.

Stocks to Be Tested Today

Continued from the price page, stocks that are under test today range from 120 to 290. Among the significant gains are:

- Microsoft Corp. gained 7.6%.
- Google Inc. gained 4.5%.
- Apple Inc. gained 3.9%.
- Netflix Inc. gained 3.7%.
- Twitter Inc. gained 3.6%.

AIG Scrambles to Raise Cash, Talks With Fed

AIG could also raise cash by tuning other AIG units. For example, AIG could raise cash by selling a stake in its auto-insurance company, a move that could be offset by developments in the coming weeks. AIG could also raise cash by selling a stake in its insurance company, a move that could be offset by developments in the coming weeks. AIG could also raise cash by selling a stake in its insurance company, a move that could be offset by developments in the coming weeks.

MARKETWATCH

Lehman Troubles

Lehman Brothers Holdings Inc. said it’s not sure whether it will be able to meet its obligations under the terms of its credit agreements. Lehman Brothers Holdings Inc. said it’s not sure whether it will be able to meet its obligations under the terms of its credit agreements. Lehman Brothers Holdings Inc. said it’s not sure whether it will be able to meet its obligations under the terms of its credit agreements. Lehman Brothers Holdings Inc. said it’s not sure whether it will be able to meet its obligations under the terms of its credit agreements.

Lehman Troubles, Fed’s Meeting Seen as Unhelpful

By Ben McLane

A very strong earnings surprise from ConocoPhillips, a leading energy company, has fueled optimism about the U.S. economy and the fragile state of the credit market. The company reported a $2.12 billion profit, in line with the expectations of analysts.

The dollar rose due to a strong trade surplus, which seemed to be doing a great deal for some of the country’s financial institutions.

Against this backdrop, the Tabb Group report Monday warned that other economies might see a good opening to market their own problems, particularly in Europe and Asia. The report noted that other economies might see a good opening to market their own problems, particularly in Europe and Asia. The report noted that other economies might see a good opening to market their own problems, particularly in Europe and Asia.

At the end of June, cash levels were expected to remain low, with the Federal Reserve expected to maintain interest rates at a 12-year low.

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**MARKETBEAT**

*Market Insight From WSJ.com*

**Aimless Market Requires Agility**

A Wild of Wilds Ends With Dow Industrials Rising 0.4% By David Gauden

The possible performance of markets this week was summarized by the Dow Industrials rising 0.4%.

"Investors are finding it is no longer a simple task to look elsewhere for liquidity, and the limited number of investment banks that are able to provide it has increased their focus on counterparty risk."

**Lehman Troubles And Fed’s Meeting Seen as Unhelpful**

By Dan Mollon

A drawback of the dollar that Lehman’s woes have raised is the possible need to diversify the safe-have assets to include those of other troubled financial institutions.

"Our results were strongly influenced by Lehman’s severe financial constraints, and we expect continuing growth in the activity of our strategic default business."

**Treasury’s Keep Allure Amid Bleak News**

By Matt Zra

The decade of safe haven investing in Treasurys will continue to showcase the safety flows into the dollar.

"Mr. Geithner’s own strategy is likely to be offset by developments elsewhere in the financial sector."

**AIG Scrambles to Cash, Talks With Fed**

By Richard Schwefel

AIG’s second-quarter results were spotty, accordin to the company’s own assessment.

"We do not expect any significant changes in our business strategy as a result of the loss."