

Adventures of Lehman

David Lehman

*"Rumors of my demise [are] exaggerated by the media," Lehman said in a prepared statement, "but it would be disingenuous to deny the financial turbulence in the air that makes the prospect of terra firma seem more like a firmer terror than a landing strip of erotic pleasure. Nevertheless I remain firmly resolved to endure."**



Note: Headlines in which one's name or the name of one's firm figures are excellent points of departure for more things than one, and readers are referred to Borges's "Garden of Forking Paths," last paragraph, but only after reading all that leads up to it.

Big Week [Sunday April 13, 2008]

This was a big week for Lehman.

Lehman moved \$2.8 billion in loans, a lot of it in leveraged-buyout debt, into a freshly-minted investment vehicle, "Freedom," which promptly issued new debt securities backed by the risky loans.

The maneuver wowed the guys at Moody's and Standard & Poor's. About \$2.26 billion of the new offerings got an immediate boost in credit ratings. With heroic speed Lehman then packaged some of the investment-grade Freedom bonds as collateral for low-interest, short-term loans from the Fed.

Lehman thus turned a lose-lose situation into an instant money-maker. "Any time you can leverage Freedom you're ahead of the curve," Lehman said. "The curve is just like a fast ball, just a trifle slower, and it breaks. If you wait for it and your timing is good, you can hit it out of the park."

"And that's what I think we did here."

See Serena Ng and Susanne Craig, "How Lehman Opened the Fed's Spigot," in *Wall Street Journal*, Friday, April 11, 2008, p. C1.

Lehman Seeks Chinese Partner [Saturday April 19, 2008]

Lehman went to the Boao Forum for Asia, on the southern Chinese island of Hainan, in pursuit of a partner for a brokerage joint-venture in China. Yang Zee Ha, correspondent for Nihao (Beijing), reported that Lehman was conducting "active discussions" with "potential partners" for a "long-term liaison." No names were given, but hotel records indicated that Rose Tatou, Coco Riesling, China Dollar, Samantha Fang, and Ho Ra were among the *nommes de guerre* chosen by women guests at the posh Hainan Retreat, where "partner suitability" tests were performed in suite #611 last week.

Lehman Battles Back [April 26, 2008]

Despite a wretched week, Lehman battled back with negative ads about his opponent.... Lehman's sister Sue won the Sydney marathon. Cries of "Sue Lehman!" filled the air.... An actor wearing a Warren Buffett mask called Lehman "a ticking time-bomb" that would go off when—in spite of avant-garde accounting methods capable of making large figures vanish—he finally has to write down the bad debt and derivatives he holds.... "The profit margins at the venerable house are shrinking," Lehman quipped. "But the prophets themselves have never had it so good. They are being feted in a manner that the Bible's

Amos and Joel and Hosea could only dream about." ... Meanwhile, the search for Lehman's missing brother remained the three-hundred-pound Republican in the room.

Today's Headlines [September 9, 2008]

Rough Road Continues for Lehman [*Forbes*]
 Freaking Out About Lehman [*Wall Street Journal*]
 Time Isn't Lehman's Friend [*Business Week*]
 At Noon: Lehman Tanks [*Globe and Mail*]
 Lehman in Free Fall Again [*Fortune* / CNN Money.com]

It is better to have loved and lost, we are supposed to believe, than never to have loved at all. Tell that to Lehman. The securities firm has been on a financial yo-yo for months as potential buyers peer in to evaluate an investment, then back away when they get to know the bank a little better. For Lehman, the disappearance of some formerly eager suitors is one more source of pressure.

And the rejections keep piling up for Lehman. Talks about a capital infusion from Korea Development Bank have ended. Lehman, the fourth largest investment company in the United States, "refuses to take what it believes are fire-sale prices for its key assets," said Roberta Zimmerman of Altar, Wise, Owl, and Light. "Shareholders are depressed."

How do the analysts see it, Charlie? "Analysts concur that LEH is basically in a trading range unless something truly catastrophic happens," Charlie Gehringer reported outside Lehman headquarters. "It could either work out exceptionally well for investors or very badly."

With each passing day, Lehman's hunt for a white knight is looking more desperate.

"My guess is Lehman is stuck being Lehman, rather than a domino [the Fed and Treasury] have to prevent from falling," says George Feiger, president of Contango Capital Advisors, the wealth management arm of Zions Bancorporation.

Lehman declined to comment. "I believe no comment would be the best strategy for us," he told reporters at a venture capital forum, Reuters reported.