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# Lehman Managers Portrayed as Irresponsible

By BERNIE BECKER and BEN WHITE

WASHINGTON — **Richard S. Fuld Jr.** blamed the news media. He blamed the short-sellers. He blamed the government, as well as what he characterized as an “extraordinary run on the bank.”

But the chief executive of **Lehman Brothers** Holdings, the bankrupt remnant of a once-great investment house, never really blamed himself.

Instead, in his first public appearance since Lehman’s collapse, Mr. Fuld said in sworn testimony before a Congressional panel on Monday that while he took full responsibility for the debacle, he believed all his decisions “were both prudent and appropriate” given the information he had at the time.

That stance did not sit well with angry members of the House Committee on Oversight and Government Reform, who peppered Mr. Fuld with hostile questions about the hundreds of millions he made over the last eight years.

Members of the committee, several of whom mispronounced Mr. Fuld’s name as “Fold” or “Food,” also hammered the Lehman chief executive for making what they described as rosy public statements about the bank’s health that did not reflect a scramble for cash behind the scenes.

“People want to know if you defrauded investors,” said Representative John L. Mica, Republican of Florida, who also informed Mr. Fuld at one point that he needed to understand his role as the designated “villain” of the day.

Describing himself as a “Lehman lifer” who joined the bank 42 years ago and had never worked anywhere else, Mr. Fuld said he was haunted by the collapse.

“I wake up every single night wondering what I could have done differently,” he said. “This is a pain that will stay with me the rest of my life.”

Mr. Fuld, by turns combative and contemplative, and often pained by interruptions of his answers, repeatedly denied that any misrepresentations took place. Even when confronted with internal documents that seemed to tell a different story, Mr. Fuld said he believed until five days before the Sept. 15 bankruptcy filing that Lehman remained in decent health.

“No, sir, we did not mislead our investors,” Mr. Fuld said in response to a question from **Dennis J. Kucinich**, Democrat of Ohio, who wanted to know how Mr. Fuld’s public statements could be

valid in light of efforts by **JPMorgan Chase** to secure \$5 billion in extra collateral from Lehman in the final days.

“To the best of my ability at the time, given the information I had, we made disclosures that we fully believed were accurate,” Mr. Fuld said.

He said that Lehman might have survived had the **Federal Reserve** moved faster to help investment banks borrow from the Fed. He also noted that **Goldman Sachs** and **Morgan Stanley** were allowed to transform themselves quickly into bank holding companies after Lehman’s collapse. Lehman had tried a similar move months earlier without success.

Mr. Fuld and other Lehman executives are facing preliminary inquiries by federal prosecutors into whether public statements about the bank’s position amounted to fraud. That might have explained the lawyered tone Mr. Fuld often adopted during two hours of questioning.

At one point on Monday, Mr. Fuld was confronted with an internal memo dated June 8 that included warnings about Lehman’s condition and asked the question, “Why did we allow ourselves to be so exposed?”

Mr. Fuld, after a long scan of the memo, said, “This document does not look familiar to me.”

With November’s elections just a month away, Democrats said their constituents were most upset at what they viewed as exorbitant severance packages that Wall Street executives received, even as companies like Lehman Brothers were staring down bankruptcy.

“The people in my block in Baltimore, if they perform poorly, they get fired,” said Representative Elijah E. Cummings, Democrat of Maryland. “They certainly don’t get a bonus.”

**Henry A. Waxman**, the California Democrat who heads the panel, began the hearing with an assault on Mr. Fuld’s pay, bringing out a chart showing that the Lehman chief executive received nearly \$500 million in salary and bonus payments in the last eight years.

“That’s difficult to comprehend for a lot of people,” Mr. Waxman said. “I have a very basic question for you, is that fair?”

Mr. Fuld first took issue with the numbers, saying the accurate figure was probably less than \$250 million. “The majority of my compensation came in stock and the vast majority of the stock that I got I still owned at the point of our filing,” referring to the firm’s bankruptcy filing.

Mr. Fuld was once worth close to \$1 billion and now has a net worth estimated at about \$100 million. He and his wife have been forced to sell some of their renowned art collection.

While defending his own pay, Mr. Fuld also noted that Lehman employees owned about 30 percent of the company’s shares. “When the company did well, we did well. And when the company did not do well, we did not do well, sir,” Mr. Fuld said to Mr. Waxman.

Later in the hearing, Mr. Fuld was asked why Lehman approved nearly \$20 million in payments for two departing executives about a week before the bankruptcy filing.

Mr. Fuld said one payment, \$2 million for Andrew J. Morton, the head of fixed income, was deemed “appropriate for his years of service.” Another \$16 million, paid to Benoit Savoret, who was leaving as chief operating officer for Europe and the Middle East, was a result of a contractual obligation.

The committee also released e-mail messages sent in June in which Mr. Fuld and George H. Walker, a Lehman executive and cousin of President Bush, responded in what Mr. Waxman called a mocking tone to a suggestion that executives at the company decline bonuses.

Asked what mistakes, if any, he had made, Mr. Fuld said he wished he had moved more quickly to reduce Lehman’s commercial real estate holdings. “I, like a number of other people, thought that the mortgage crisis was contained to residential mortgages, and I was wrong,” he said.

After the hearing — which started before a crowd of journalists and a smattering of protesters, then ended almost five hours later before a half-full room — a weary-looking Mr. Fuld approached Mr. Waxman and said he hoped his testimony was helpful. He then left under protection from Capitol Police officers, going to a waiting sport utility vehicle while members of the protest group Code Pink pelted him with insults and called for Mr. Fuld to be jailed.

Sharon Otterman contributed reporting.