

Lehman Brothers' Fall
Kakani, Ram Kumar, Vasudha Singhania & Martin Stack
Richard Ivey School of Business: Ivey Case Publishing. Case
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Summary of the Modus Operandi

LEHMAN BROTHERS' FALL

2

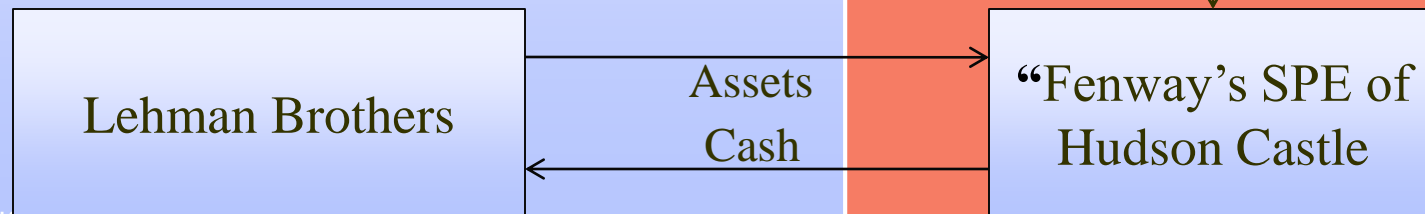
- On September 15, 2008, Lehman Brothers filed for bankruptcy. With \$639 billion in assets and \$619 billion in debt, Lehman's bankruptcy filing was the largest in history, as its assets far surpassed those of previous bankrupt giants such as WorldCom and Enron. Lehman was the fourth-largest U.S. investment bank at the time of its collapse, with 25,000 employees worldwide.

Lehman Brothers : Flow of Money

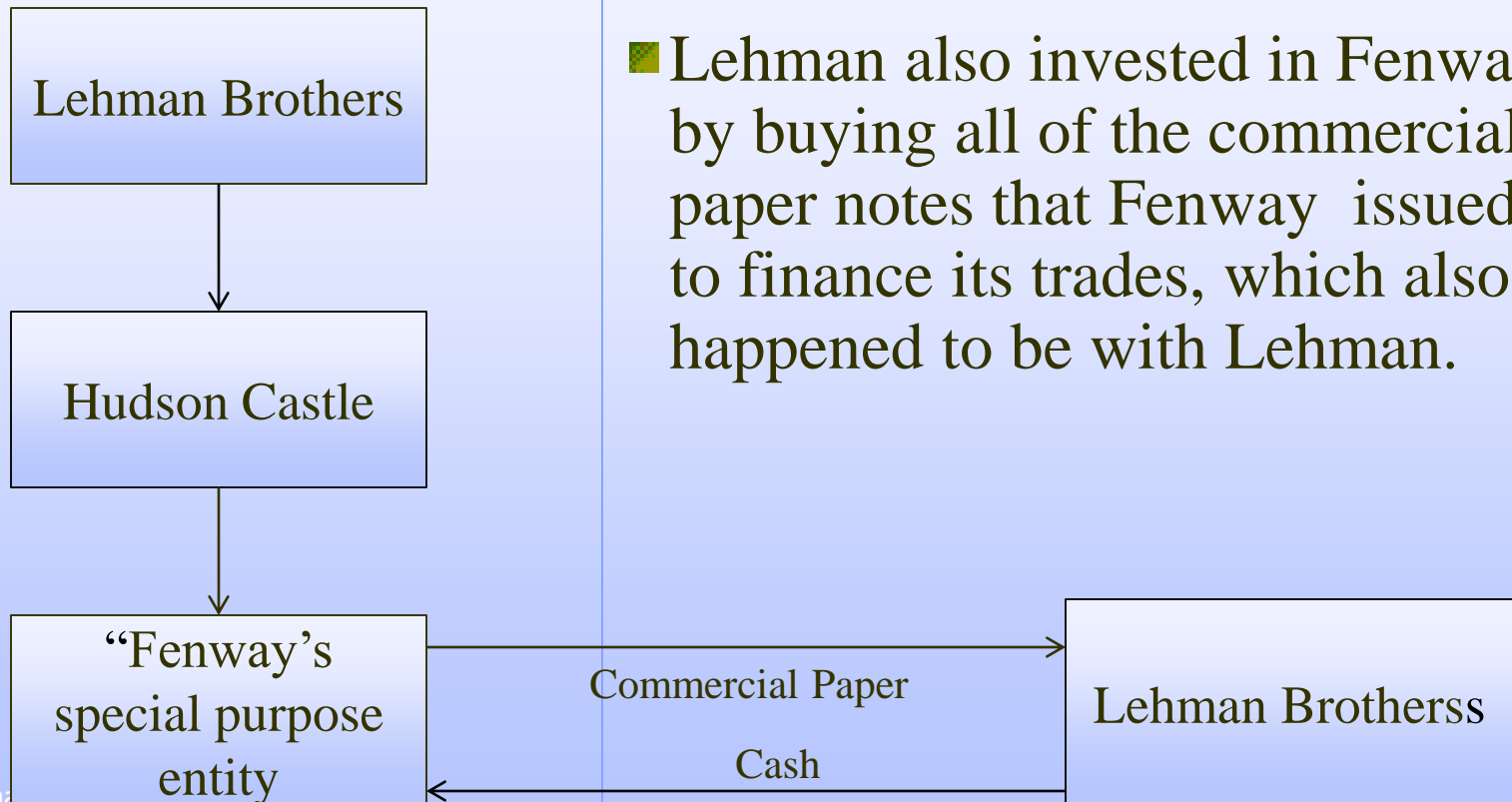
- Lehman Brothers Inc. filed for bankruptcy protection following the massive exodus of most of its clients, drastic losses in its stock and devaluation of its assets by credit rating agencies.
- Lehman sold its real estate assets under a repurchase contract, or “repo” — meaning the bank was agreeing to buy them back later. The main assistance in performing the act was provided by Hudson Castle through its special purpose entity called Fenway.

Banks often borrow money from outside entities. Before Lehman Brothers filed for bankruptcy in September 2008, it borrowed from a special purpose entity with which it had other ties.

- Lehman borrowed from a special purpose entity (Fenway) managed by a company, Hudson Castle, which was Lehman's shadow company.



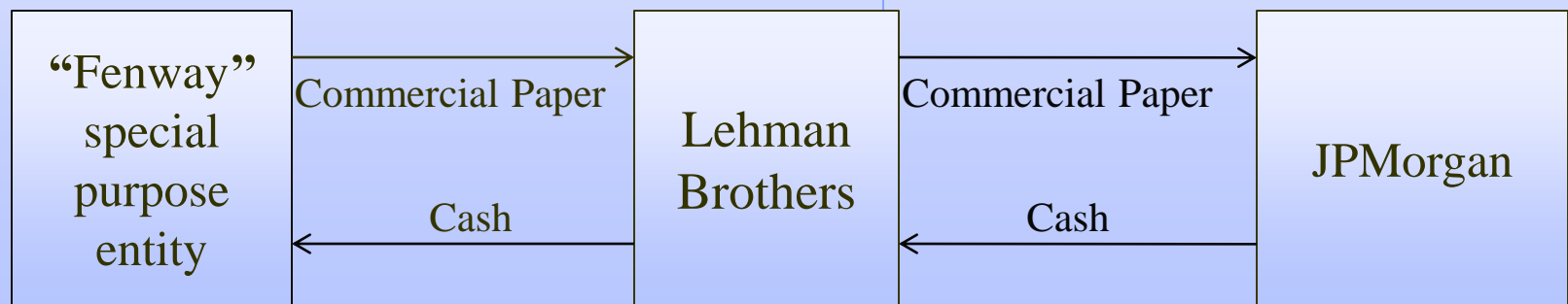
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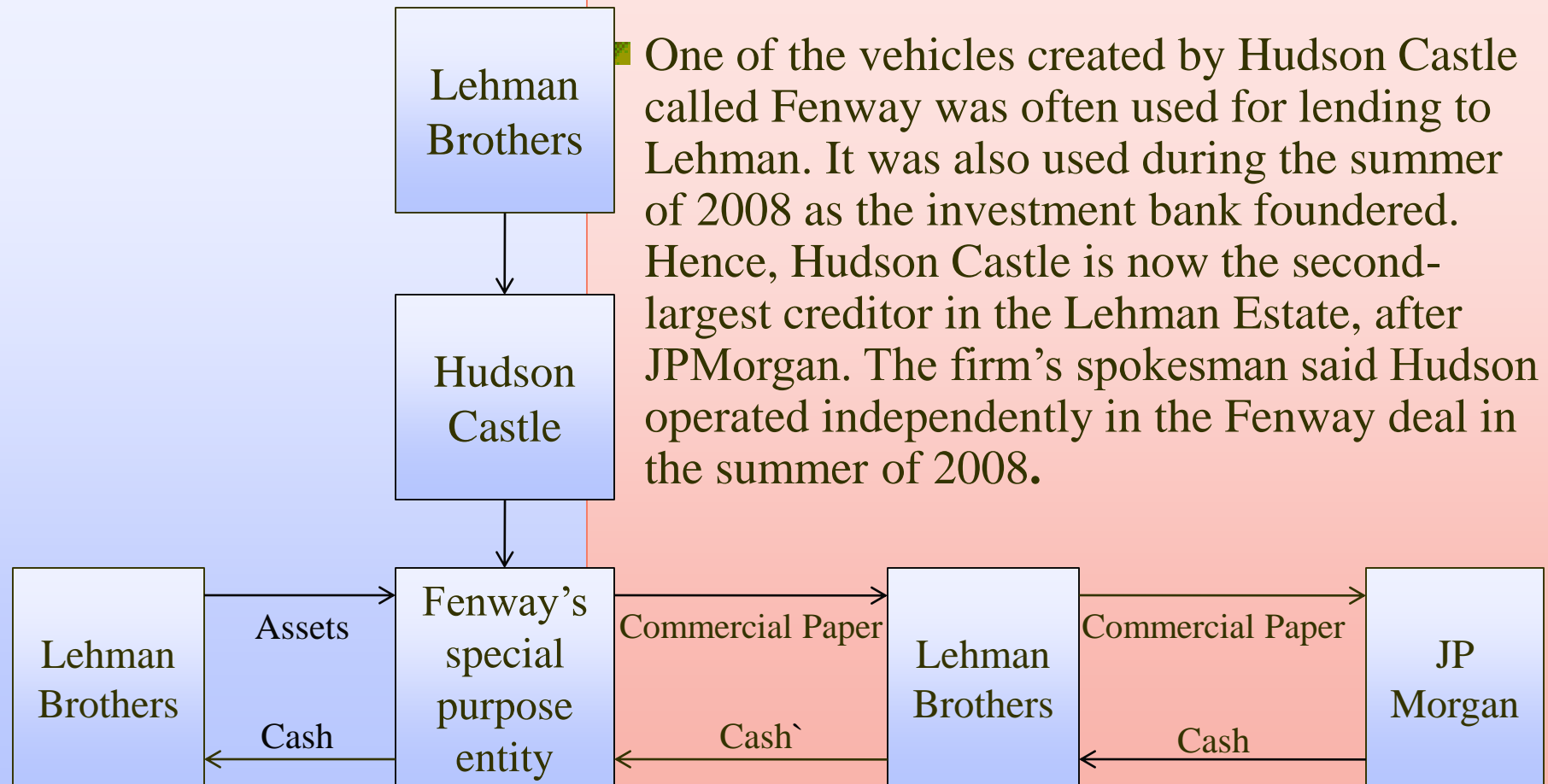
6

- The purchased commercial papers of Fenway were used by Lehman to provide collateral for a loan from JPMorgan.



LEHMAN BROTHERS: PLAYING MANY SIDES OF A DEAL

7



Ram Kumar Kakani