

# Where did the money go? Billions transferred from coffers of Lehman prior to bankruptcy.

By [Global Research](#)

Global Research, November 23, 2008

Bloomberg 26 September 2008

Region: [USA](#)

Theme: [Global Economy](#)

## Editor's Note

*Massive amounts of money were transferred from the coffers of Lehman prior to filing for bankruptcy. Where did the money go? A similar procedure was used in the The Bear Stearns bankruptcy.*

## Lehman Unit Shrank \$400 Billion Before Bankruptcy

By Linda Sandler

Sept. 26 (Bloomberg) — Lehman Brothers Holdings Inc.'s brokerage unit lost more than \$400 billion in assets in the months before its parent filed for bankruptcy protection, according to the trustee overseeing customer accounts.

Lehman's holding company filed for bankruptcy Sept. 15 claiming \$639 billion in assets, using four-month-old data. The wholly owned brokerage unit shrank to less than \$100 billion in assets from \$500 billion "a few months ago," according to a Sept. 19 court statement by James Giddens, the trustee overseeing the settling of Lehman brokerage customer accounts by the Securities Investor Protection Corp.

The loss in value was caused by "changes in the market," according to Giddens, a partner at law firm Hughes Hubbard & Reed, who spoke at a bankruptcy court hearing in Manhattan. The runoff may indicate Lehman's customers, including many hedge funds, canceled and closed out trades as they began to doubt the firm's ability to navigate the credit crunch, bankruptcy analysts and lawyers said.

"There was the proverbial run on the bank" at Lehman, said Martin Bienenstock of the law firm Dewey & LeBoeuf, who is advising clients including Walt Disney Co. on recovering their money from Lehman. There was a similar capital flight from Bear Stearns earlier this year, he said.

Most of Lehman's pre-bankruptcy assets were securities, according to its balance sheets. Lehman said on Sept. 10 that the consolidated gross assets of the firm stood at \$600 billion and net assets at \$311 billion. The difference between net and gross is the so-called matched book, which is overnight lending or securities pledged for overnight borrowing.

## Bear Stearns

Bear Stearns, once the fifth-biggest U.S. securities firm, sold itself to JPMorgan Chase & Co. in March after customers and lenders fled because of speculation the company faced a cash shortage. Lehman was the fourth-largest investment bank before its bankruptcy.

Giddens didn't return calls requesting comment on his statement. SIPC President Stephen Harbeck said he'd seen the brokerage's latest asset totals and couldn't remember the numbers, which "we don't need to know to do our job" of settling the 630,000 customer accounts.

Mark Lane, a Lehman spokesman, didn't return a call and an e-mail seeking comment.

Customer accounts at the Lehman Brothers Inc. brokerage that aren't on the balance sheet total about \$138 billion, Lehman's bankruptcy lawyer Harvey Miller said in court on Sept 19. The trustee's figure of about \$500 billion for brokerage assets before the runoff corresponds to a balance sheet published in 2007, which calculated assets at \$478 billion.

The case is *In re Lehman Brothers Holdings Inc.*, 08-13555, U.S. Bankruptcy Court, Southern District of New York (Manhattan).

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