

REUTERS

Lehman demotes CFO Callan, names new COO

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NEW YORK (Reuters) - Lehman Brothers Holdings Inc said on Thursday it was demoting its chief financial officer, Erin Callan, and that it had named a new chief operating officer as well, days after the investment bank said it expects to post a \$2.8 billion quarterly loss.

The fourth-largest U.S. investment bank said Ian Lowitt, now chief administrative officer, will be the CFO. Bart McDade, global head of equities, will be chief operating officer and president, replacing Joseph Gregory, Lehman said in a statement.

The following is reaction from industry analysts and investors:

PAUL NOLTE, DIRECTOR OF INVESTMENTS AT HINSDALE ASSOCIATES, IN HINSDALE ILLINOIS

"I guess it's a bit concerning that a lot of this hasn't been divulged earlier. They've been in the news regularly in the past couple of weeks, so maybe this is an action aimed to shore up confidence, but I don't know if this is the appropriate way to do it.

"It opens up more questions. I don't know if this is a sign they are floundering, but Bear Stearns is still fresh in people's minds and Lehman has been touted as being another one that is at risk."

DOUG ROBERTS, CHIEF INVESTMENT STRATEGIST WITH CHANNEL CAPITAL RESEARCH IN SHREWSBURY, NEW JERSEY:

"Erin Callan is pretty competent, but my guess is she has too much of a high profile."

"With the recent decrease of the stock price in the past couple of days, they had to do something before the situation became more dire, more serious. They needed somebody more low profile, more nuts and bolts."

JEFF HLAVACEK, DIRECTOR OF FIXED INCOME TRADING AT BNP PARIBAS IN NEW YORK

"What happened to Joe Torre when the Yankees failed to get into the World Series the last couple of years? Management canned him. What would you do with somebody in the higher echelon of your company when your stock goes from \$80 to \$23? Wouldn't you roll some heads?

"This is very typical -- big heads roll when stocks collapse. I wouldn't read anything into it. It's not a sign that they're going out of business. It's a sign they're trying to support their stock price and bolster their team. This is text-book corporate management.

"It's no new news to me.

"You had an impulse move where stocks got ripped down and we bounced up in the bond market, but now we're just settling. We're going to still watch the stock market but I think the Lehman impulse trade already occurred."

MICHAEL WALLACE, GLOBAL MARKET STRATEGIST, ACTION ECONOMICS, SAN FRANCISCO:

"The initial reaction on Wall Street has been negative but I can't help but view it as a positive, assuming that the replacements have greater credibility than their predecessors.

"There has been headline shock and risk ahead of the open but I wouldn't be at all surprised to see stocks rebound -- though I'm not a stocks expert. It is obviously not an all-clear in the financial sector. In the longer-term there is still a lot out there in terms of potential write-downs. I would take this as a cautiously optimistic news item.

JOE SALUZZI, CO-MANAGER OF TRADING AT THEMIS TRADING IN CHATHAM, NEW JERSEY

"People are still very concerned about Lehman Brothers. It's been watched as the stock of the day for over a week now. It's definitely a big concern for the market. You can't read too much into this news for now, except that there is real concern with management. It depends how they spin this. Maybe it'll be seen as good news that they're taking this action."

ANTON SCHUTZ, PORTFOLIO MANAGER, MENDON CAPITAL ADVISORS IN ROCHESTER, NEW YORK

"Wall Street moves very quickly and certainly the shareholders were very, very disappointed with the events at Lehman. I think there was a need to change some of the management responsible for some of the shareholder unhappiness."

"I expect and hope that things will settle down here."

"It was apparent that change had to come."

BILL SMITH, CEO SMITH ASSET MANAGEMENT IN NEW YORK

"Anyone is better than Erin Callan."

"It's a mess."

"I was shocked to see how long Dick Fuld stuck with her."

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