Story of Lehman Brothers

The history of Lehman Brothers parallels the growth of the United States and its energetic drive toward prosperity and international prominence. What would evolve into a global financial entity began as a general store in the American South.Henry Lehman, an immigrant from Germany, opened his small shop in the city of Montgomery, Alabama in 1844. Six years later, he was joined by brothers Emanuel and Mayer, and they named the business Lehman Brothers. The firm, thus, was founded in 1850.

Cotton was the cash crop of the time, and the Lehman's accepted it from the local farmers as currency to settle accounts. The brothers traded the cotton for cash or merchandise, becoming brokers for buyers and sellers of the crop.In 1858, they opened an office in New York, which was the commodity trading center of the country.

The Civil War disrupted the Lehman's' business. When hostilities ended, the brothers moved north and concentrated their operations in New York, where they helped establish the Cotton Exchange.The post-war period witnessed the rapid growth of railroads, sparking the transformation of the nation from an agrarian to an industrial economy. At the time, Lehman Brothers' future merger partner, Kuhn, Loeb, was underwriting much of the financing for railroad construction.

Railroad bonds represented a significant advance in the development of capital markets. Their affordable price attracted a great number of individual investors and Lehman Brothers, recognizing a trend, expanded its commodities business to include the sale and trading of securities. The firm also moved into the area of financial advisory, which provided the foundation for underwriting expertise.

During the vigorous economic expansion of the second half of the 19th century, Lehman Brothers broadened its expertise beyond commodities brokerage to merchant banking. Building a securities trading business, they became members of the New York Stock Exchange in 1887.

Setting the stage for future global growth, Jacob Schiff, a Kuhn, Loeb partner, led the firm to establish investment-banking relationships in Europe and Japan.The firm acquired a seat on the New York Stock Exchange in 1887 and underwrote its first stock offering in 1889

At the turn of the century, Lehman Brothers was a founding financier of emerging retailers, including Sears, Roebuck & Company, F.W. Woolworth Company, May Department Stores Company, Gimbel Brothers Inc and R H Macy & Company.

In the 1920s, Robert Lehman perceived dynamic changes occurring in the nation's economy, and focused the company on rapidly-developing consumer industries such as retailing, airlines and communications. Lehman Brothers was a strong supporter of the entertainment sector and advised on the consolidation of major movie theater chains. Start-up ventures, including film studios RKO, Paramount and 20th Century Fox, benefited from financing arranged by the firm.

Triggered by the stock market crash of 1929, the depression placed tremendous pressure on the availability of capital. Lehman Brothers was one of the pioneers of innovative financing techniques such as private placements, arranging loans between blue-chip borrowers and private lenders. These loans offered strict safeguards and solid returns for lenders, while enabling borrowers to raise much-needed capital.

The 1930s witnessed the explosive growth of radio and experimentation with a developing technology called television. Lehman Brothers underwrote the initial public offering for DuMont, the first television manufacturer, and helped fund the Radio Corporation of America, known as RCA.

Beginning in the 1930s, the increasing demand for oil set off waves of wildcat drilling in search of the resource. Companies like Halliburton and Kerr-McGee relied on Lehman Brothers for capital to fund their activities.

The end of World War II ignited an unprecedented era of prosperity, fueling the growth of consumer industries such as home appliances and auto manufacturing. Lehman Brothers became an important financial advisor and underwriter for many growing companies and established a number of long-term relationships that are still active today.

Economic expansion accelerated in the 1950s with the dawn of the Electronics Age, and Lehman Brothers arranged start-up financing for companies such as Litton Industries. The Firm also lent its expertise and advisory skills to Burlington Mills, Schenley Industries and American Export Lines.

This period was also the beginning of the computer era, and Lehman Brothers provided IPO underwriting for industry pioneer Digital Equipment. The Firm later arranged the acquisition of Digital by Compaq.

The travel industry benefited from the sustained economic growth of the period, and Lehman Brothers sponsored the IPO of Hertz Rent-a-Car. The focus on transportation and travel continued into the 1960s, with Lehman Brothers advising Ford Motor Company, TWA, American Airlines and Continental Airlines.

At this time, consumer-driven companies such as General Foods, Campbell Soup and Philip Morris turned to Lehman Brothers to help finance the growth necessary to satisfy burgeoning demand for their products. By the 1960s and 1970s, many of Lehman Brothers' clients were expanding overseas. To meet their financial needs, the firm opened an office in Paris in 1960, followed by a location in London in 1972 and Tokyo in 1973. This growing international presence was enhanced by the merger with Kuhn, Loeb.

With continued advances in electronics and information technology in the 1970s, Lehman Brothers worked with leading players such as IBM, Digital Equipment Corporation and Loral. It acquired Abraham & Co in 1975. n the 1980s, Lehman Brothers played an important role in the dawn of the Information Age, helping fund such companies as Intel and new technology businesses of the period, which later became the leading players in the high-tech revolution.

During the robust merger and acquisition activity of the 1980s, Lehman Brothers advised companies such as Chrysler, American Motors, General Foods, Philip Morris and Hoffman-LaRoche on expanding domestic and international operations.

In the mid-1980s, breakthrough research in the life sciences introduced the biotech era, revolutionizing the healthcare industry. Lehman Brothers assisted a number of new businesses in obtaining the capital needed to fund research and development. A leading advisor to the healthcare sector, the Firm worked with major pharmaceutical companies during the international consolidation and globalization of the industry. In 1984 American Express acquired Lehman Brothers and merged the firm with Shearson.

American Express divested Shearson in 1993, and the independent firm once again became known solely as Lehman Brothers.Lehman Brothers celebrates its 150th year anniversary.The firm joins the S&P 100 Index and its stock price hits $100 for the first time.Lehman Brothers becomes the first firm to underwrite corporate debt on the Internet.The firm launches LehmanLive, a web site that offers clients around the globe access to a vast array of services and proprietary information 24 hours a day.

The firm became independent in 1994 through a public stock offering and Lehman Brothers Holding Inc. common stock commences trading on the New York & Pacific stock exchanges.Lehman Brothers opens an office in Tel Aviv, Israel, building upon its long-term presence in that country.The firm resumes fixed income trading two days after September 11 and equity trading when US markets open.

Lehman Brothers brings the first IPO, Given Imaging, to market after September 11.The Firm buys 745 Seventh Ave. for its new global headquarters in Midtown Manhattan and purchases additional space in New York City and New Jersey.Lehman Brothers becomes a member of the Amsterdam Stock Exchange.

Lehman Brothers moves into its new global headquarters in Midtown Manhattan in 2002 and establishes the Wealth and Asset Management Division. It also executes the largest financial services IPO in history for CIT Group, and the largest European leveraged buyout in history for KKR and Wendel Investissement. Lehman Brothers acquires Lincoln Capital Management's fixed income business.

Lehman Brothers acquires Neuberger Berman in 2003 and moves to its new European headquarters at 25 Bank Street in Canary Wharf.It moves to its new Asia headquarters in Tokyo's Roppongi Hills in 2004 and executes the largest capital markets transaction in the history of the US utility industry for Pacific Gas & Electric and the largest IPO globally in 2004 for Belgacom

Lehman Brothers achieves record revenues, net income and earnings per share based on record results in each business segment and region in 2005. The Firm's assets under management grow to a record $175 billion. Named ‘Best Investment Bank’ by Euromoney in its 2005 Awards for Excellence.

Lehman Brothers opens an office in Mumbai in 2005.In 2006 Lehman Brothers ranks #1 in the Barron's 500 annual survey of corporate performance for the largest companies in the US and Canada.

Lehman Brothers ranks #1 ‘Most Admired Securities Firm’ by Fortune in 2007. Also acts as financial advisor on largest-ever M&A transaction in financial institutions sector: $98 billion acquisition of ABN AMRO by a consortium of the Royal Bank of Scotland, Santander and Fortis.

Creates the Lehman Brothers Center for Global Finance and Economic Development at Spelman College. Establishes the Council on Climate Change.