

Lehman Brothers Bankruptcy Exposes Lack Of Oversight, Transparency

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SUMMARY OF ARTICLE

The unexpected bankruptcy filing of Lehman Brothers shortly before midnight on Sunday, Sept. 14, followed by Bank of America's buy-out of brokerage giant Merrill Lynch not only shocked the financial world, but also sent a message that things might just be changing on Wall Street.

Despite the fact financial markets throughout the world experienced their worst turbulence in years upon learning the fate of Lehman and Merrill Lynch on Monday morning, the two events offered a critical lesson for brokers and private investment firms alike: The federal government will not be a financial backstop when bad business decisions, corporate greed and outrageous risks with investors money prove to be their undoing.

And, whether they realize it not, taxpayers can take comfort in U.S. Treasury Secretary Henry Paulson's 'just say no' stance in refusing to bail out Lehman Brothers. Had it gone the other way, taxpayers might once again find themselves on the hook for one company's failure to solve its own problems.

"The government had to say 'enough is enough,' because if they don't stop somewhere there will be continuous bailouts," said Mark Maddox, a securities attorney and former Indiana securities commissioner, in a Sept. 16 Indianapolis Star commentary by John Ketzenberger.

Ketzenberger is right when he says taxpayers are long past the point of being tired of the rich getting richer with their outlandish executive bonus packages, while company shareholders lose their life savings because of a CEO's risky investment bets and overexposure to toxic mortgage-backed securities.

Moving forward, it's clear that the turmoil afflicting the nation's financial markets will not dissipate overnight. At the same time, the government's refusal to provide a financial safety net for Lehman Brothers - as it did in the case of Bear Stearns and mortgage giants Fannie Mae and Freddie Mac - is a positive sign that Wall Street as we know it is changing. The free ride is over, and oversight, transparency and accountability are moving front and center.

Our affiliation of securities lawyers is actively involved in advising individual and institutional investors in evaluating their legal options when confronted with subprime and other mortgage-related investment losses.