



FINANCIAL SENSE WRAPUP

with Rob Kirby

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Setting the Record Straight

BY ROB KIRBY

Last week began on Monday, June 9 with Lehman Brothers announcing a worse than expected 2.8 billion quarterly loss and a simultaneous announcement that they were going to raise 6 billion in new capital:

Lehman Brothers Prices Offerings of \$4.0 Billion of Common Stock and \$2.0 Billion of Mandatory Convertible Preferred Stock

6/9/2008 9:19 AM - PR Newswire

NEW YORK, June 9, 2008 /PRNewswire-FirstCall via COMTEX News Network

Lehman Brothers Holdings Inc. (NYSE: LEH) announced today it has priced a **\$4.0 billion public offering of 143 million shares of common stock at \$28.00 per share.**

The Firm also announced that it priced a \$2.0 billion public offering of 2.0 million shares of 8.75% Non-Cumulative Mandatory Convertible Preferred Stock, Series Q (the "Preferred Stock").

Then, on Thursday, Lehman Brothers dropped this "material disclosure" bombshell on the street:

Lehman Brothers sack finance, operating chiefs

Jun. 12, 2008 08:21 AM
Associated Press

NEW YORK - Lehman Brothers Holdings Inc. shook up its management Thursday, removing two top executives in a concession that attempts to quell Wall Street anger over recent losses have failed.

The nation's fourth-largest investment bank said Chief Financial Officer Erin Callan and Chief Operating Officer Joseph Gregory have been removed from their positions, days after the investment bank announced a \$3 billion quarterly loss.

Also on Thursday, incredulously, Lehman announced that they had "closed" their financing:

Lehman Bros. says it has raised 6 bln dlrs as losses loom
Friday June 13, 2008, 6:30 am

NEW YORK (AFP) - US investment bank Lehman Brothers said Thursday that it had successfully closed two special share offerings aimed at raising six billion dollars to help shore up its troubled finances.

Lehman had announced the share offering drives on Monday, when it also told investors that it would likely post an unprecedented second-quarter loss of 2.8 billion dollars due to trading losses amid a lingering credit squeeze...

In securities law there exists a provision known as **right of rescission** which enables would-be purchasers of securities to terminate or 'back out' of a transaction – prior to closing - if they have been materially misled regarding the circumstances of a given transaction:

Right of Rescission [read about it [here](#)]:

"Defrauded purchasers may rescind fraudulent sales by national banks of their own capital stock."

Now, let's take a look at what transpired in the world of Lehman stock from the time they announced their financing last Monday until Thursday when the deal closed:

DATE	OPEN	DAY HIGH	DAY LOW	CLOSE	VOLUME
6/12/2008			21.17	22.70	173,510,500
6/11/2008	27.60	27.88	22.90	23.75	117,251,500
6/10/2008	28.60	28.89	26.76	27.50	108,171,000
6/9/2008	30.01	30.40	28.00	29.48	168,305,500

June 12 - Lehman sacks CEO and CFO - both of which constitute material change in the company's prospects - share price materially affected and the deal closes?:

June 9 - Lehman announces financing at 28.00 bucks per share and a larger than expected quarterly loss here:

- 23 % and the buyer doesn't care?

Lehman Bros. [NYSE:LEH] Trade Data compliments of stockhouse.com

Ladies and gentlemen, the **"SACKING"** of a **CEO** and **CFO** certainly qualifies as an "undisclosed material fact[s]." Lehman's stock price had fallen 6.78 per share [23%] on the back of these new revelations/disclosures and somehow – whoever these new **WOULD-BE** investors were – did not seem to care, sought no relief, and implausibly had no interest in "levering" their position to their advantage on a 4+ billion common stock transaction?

Capitalism **DOES NOT** work this way.

This simply **DOES NOT HAPPEN** in the real world.

This Lehman financing was categorically a "bail out."

It **REEKS** of being another pre-arranged / rigged Federal Reserve hand-out; the practice of crony capitalism – starvation and restricted credit for the masses and open spigots at the almighty fiat trough for connected, privileged insiders.

Today's Market

Overseas equity markets began the week in the green with Japan's Nikkei Index gaining 380 points to 14,354. North American markets were mixed with the DOW off by 38.30 to 12,269.10, the NASDAQ gaining 20.28 to 2,474.48 and the S & P adding .10 to 1,360.15. NYMEX crude oil futures concluded a wild trading day with a loss of .88 to 133.98 per barrel.

On foreign exchange markets the U.S. Dollar Index lost .41 to 73.63.

In the interest rate complex the benchmark 5 yr. bond finished the day at 3.74% and the 10 yr. bond finished at 4.26%.

Precious metals prices were broadly higher with COMEX gold futures ahead by 11.50 to 883.10 per ounce while COMEX silver futures gained .62 to close at 17.17 per ounce. The XAU Index gained 3.01 to 178.47 and the HUI Index added 6.41 to 404.73.

On tap for tomorrow, at 8:30 a.m. May Building Permit data is due – expected 960K vs. prior 978K. Also at 8:30 a.m., May Housing Starts – expected 1000K vs. prior 1032K. Also at 8:30 a.m. May PPI data is due – headline number expected +1.0% vs. prior +.2%, core number expected +.2% vs. prior +.4%. Then at 9:15 a.m. May Capacity Utilization data is due – expected 79.8% vs. prior 79.7%. Also at 9:15 a.m. May Industrial Production data is due – expected +.2% vs. prior -.7%.

Wishing you all a pleasant evening and happy investing!

Rob Kirby