

Lehman President McDade 'Flexes Muscles,' Rehires Gelband, Kirk

By Yalman Onaran



[Lehman Brothers Holdings Inc.](#) President [Herbert "Bart" McDade](#) began retooling the investment bank less than a month after being appointed, bringing two of his former associates back to the firm in expanded roles.

[Michael Gelband](#), ousted last year as head of fixed income, was named chief of the firm's capital markets businesses, a new post that encompasses equities as well as his former unit, the New York-based company said yesterday. [Alex Kirk](#), who left in February as head of credit products, was picked to oversee Lehman's investments.

Chief Executive Officer [Richard Fuld](#) turned to McDade, the former head of equities, on June 12, as speculation that mortgage losses would depress earnings fueled a 42 percent drop in the stock. After selling \$147 billion of assets and raising \$14 billion of capital failed to dispel investor concerns, Fuld demoted then-President [Joseph Gregory](#) and finance chief [Erin Callan](#), saying McDade's trading skills would help the fourth- biggest U.S. securities firm manage the credit-market turmoil.

"McDade is flexing his muscles as they prepare to get more defensive," said [Bruce Foerster](#), who was a managing director at Lehman before he started advisory firm South Beach Capital Markets in Miami. "Fuld is probably going to get more liquidity and cut more jobs for a stronger defense against attacks on his firm."

Lehman posted a \$2.8 billion second-quarter [loss](#) on June 9. It was the first time since the company was spun off from American Express Co. in 1994 that Fuld, the longest-serving CEO on Wall Street, hasn't delivered a quarterly profit.

McDade's Rise

During McDade's tenure, the equities [division](#) grew to account for one third of the firm's revenue, as Lehman became the largest trader of stocks on the London Stock Exchange and Euronext. Current and former Lehman executives now consider him a leading candidate to succeed Fuld, whose career at Lehman spans four decades.

Gelband, 49, ran fixed income until May 2007, when he stepped down after disputes with top management. [Fuld](#), 62, was unhappy with the pace of his unit's growth, particularly in

commodities trading, Lehman executives said at the time. Gelband opposed risks the firm was taking in mortgages, people familiar with the situation said.

“This is another sign that risk management is front and center at [Lehman](#),” said Foerster, referring to Gelband's return.

McDade was Gelband's predecessor in the fixed-income division until 2005, when he shifted to equities. Kirk, 48, led the global credit products group within fixed income until he left Lehman in February.

Donini, Goldfarb

The fixed-income business, which included packaging and trading bonds backed by home loans, traditionally produced more than half of the company's revenue. The division has been crippled by the declining value of mortgage-related assets since the market for loans to homeowners with poor credit histories collapsed in 2007.

[Roger Nagioff](#), who replaced Gelband when he left last year, stayed in the job for seven months.

Gelband joined Lehman in 1983 and spent his entire career at the firm. During his tenure, he led groups within fixed-income trading, including interest rate derivatives, foreign exchange and securitized products, before being named head of global fixed income in June 2005. Gelband directly reported to McDade, 49, during some of that time.

[Gerald Donini](#), the 44-year-old head of U.S. equities, was promoted yesterday to oversee the equities division worldwide, the firm said. McDade ran the equities unit before his appointment as president.

Lehman yesterday also named [Dave Goldfarb](#) as chief strategy officer. Goldfarb, 51, had overseen principal investments, risk management and strategic partnerships. He lost the risk-monitoring responsibilities in December when [Chris O'Meara](#) was appointed as chief risk officer, reporting directly to Fuld. Kirk now oversees principal investing.