

Blue Chip Reputation

An Interview with James B. Lee Jr., Vice Chairman, JPMorgan Chase & Co.

EDITORS' NOTE Jimmy Lee joined Chemical Bank in 1975 and worked in a variety of specialty lending businesses until 1980, when he founded and ran Chemical's merchant bank in Australia. In 1982, he returned to the U.S. and started the bank's syndicated loan group, which constituted the origins of the investment banking business at Chemical and later Chase Manhattan Bank. He is widely credited as the architect of the modern day syndicated loan market. Lee



James B. Lee Jr.

ran the investment bank until the merger with J.P. Morgan & Co. in 2001. Following Chemical's merger with Manufacturers Hanover in 1991, Lee founded the bank's high yield business, which was the company's first public securities business therefore competing directly with Wall Street for the first time since Glass-Steagall was enacted. At the same time, he built the bank's coverage of private equity firms and its mergers and acquisitions business. Later on, he led the acquisition of Hambrecht & Quist, which was the bank's first public equity business. Along the way, he recruited several talented executives to help lead this effort, many of whom are still with the company in positions of leadership. This integrated approach to loans, bonds, equity, and M&A – "one-stop shopping" – pioneered today's industry standard for investment banking. He received a B.A. from Williams College in 1975, where he double majored in Economics and Art History.

COMPANY BRIEF JPMorgan Chase & Co. (www.jpmorganchase.com) is a leading global financial services firm with assets of \$2.2 trillion and operations in more than 60 countries. The firm is a leader in investment banking, financial services for consumers and small business, commercial banking, financial transaction processing, asset management, and private equity.

You were the first firm to build a one-stop investment bank model. What prompted that?

Our clients were pulling us in that direction. They wanted the benefits of having one bank they could rely on for their ongoing needs, especially the heavy users like private equity firms. By combining loans with bonds, public equity and M&A, we created the first fully integrated one-stop shop. It's the industry standard now. As such, it was really the clients who drove the end of Glass-Steagall, not the banks.

The banks you started with weren't exactly the leading corporate banks at the time. How did you deal with that?

We gradually built a financing machine that was so successful well-known companies sought us out and deep relationships were formed. That machine has allowed us to be there for each business cycle and financing needs, including DIPs, hostile takeovers, leveraged recaps, mergers and acquisitions, etc. Because we can finance deals that others can't, we have

been involved in some of the largest and most historic transactions of our time.

Through the years, we also recruited some very talented Wall Streeters that helped lift our capabilities as a company. So it was a combination of integrated product excellence, the big deals, the hiring and the mergers that turned a pretty average bank into a leading financial institution today.

You've had the chance to work on some of the most historic deals in the United States. What's that been like?

Along with many terrific J.P. Morgan partners, I've worked on some of the largest deals in our country's history, including IPOs of the TARP companies to repay taxpayers: GM and AIG. Other deals were the merger of United and Continental – two heavyweights in the airline sector creating the largest airline in the country – and the \$30-billion sale of NBC to Comcast. I'd have to say that working with Jeff Immelt and Brian Roberts was a career high for me.

How was the investment banking business for J.P. Morgan positioned during the economic crisis?

When Jamie (Dimon, CEO and Chairman) first came to JPMorgan Chase, he went about shoring up everything before the storm. It wasn't a question of whether there would be a storm, only when it would hit – so we had to be ready. If you went into it weak, over-leveraged with no liquidity and no long-term funding, you were vulnerable. Thanks to Jamie's efforts, we went into it in a position of strength.

How critical is community engagement to the JPMorgan Chase brand and culture?

It all starts at the top and Jamie is an incredibly patriotic, responsible, and generous person – and that is core to our culture and our

brand. You won't find a senior executive here who isn't naturally that way.

JPMorgan Chase gave \$150 million through our philanthropic foundation last year; that's on top of the billions of dollars we lent or committed to governments, schools, and nonprofits. We always include our corporate social responsibility efforts in our earnings reports, which you won't see many companies do. We want people to hire us because they trust us.

How much of a benefit is having a mayor from the private sector to build a strong public/private partnership?

Mike Bloomberg built one of the largest, most successful financial information services companies in the world – from scratch. Being Mayor of New York City has sort of overshadowed that. He is one of the most successful entrepreneurs ever in the United States. Mike sets the tone and that's what makes him so effective. We're all businessmen, we're all in this together; it's not Republican or Democrat – it's New York. We all have a stake in the success of this city.

Who have your mentors been through the years?

My most significant mentor has been Jack Welch. He and I helped build a major leadership program for the bank about 10 years ago, and we've put thousands of employees through it. Jack is one of the most extraordinary leaders I've ever met. I really look up to him.

My relationship with Jamie has elements of friendship, brotherhood, and mutual respect. One of the greatest things that ever happened to me in my career is getting the opportunity to sit next to, and learn, from him.

It is pretty rare to find a guy who has been with the same company for 35 years—no less a wall street firm—how did that happen?

Three reasons: First, it's a great company, so wanting to wear the J.P. Morgan uniform for a long time makes sense. Second, I've had multiple careers within a career; first, I worked in Australia, then I helped build key businesses during the '80s and '90s and then ran the investment bank; now I am back to my roots as the company's dealmaker. Thirdly, the men and women I work with at J.P. Morgan Chase everyday aren't just the most competent, they are great human beings. ●