DOW JONES

THE WALL STREET JOURNAL.

Technology
Ozy Media Directors Investigate Practices

By Benjamin Mullin
180 words
29 September 2021
The Wall Street Journal
J
B4
English

The board of online news magazine Ozy Media said it was conducting an investigation into the company's business practices following a New York Times report that raised questions about the company.

In a statement, Ozy's board, which includes Milwaukee Bucks co-owner Marc Lasry, said it has hired the law firm Paul, Weiss, Rifkind, Wharton and Garrison LLP to "conduct a review of the company's business activities."

On Sunday, the New York Times reported that Ozy Chief Operating Officer Samir Rao impersonated an executive from Alphabet Inc.'s YouTube on a fundraising call with Goldman Sachs Group Inc. Carlos Watson, Ozy's chief executive, said on Twitter Sunday that Mr. Rao's behavior on the call was "deeply unfortunate" and attributed his behavior to a mental-health issue. The board said it has asked Mr. Rao to take a leave of absence pending the investigation.

Mr. Watson, 51 years old, co-founded Ozy in 2013 after stints as a banker at Goldman Sachs and serving as an anchor on MSNBC.

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THE WALL STREET JOURNAL.

U.S. IPOs Modernize On Digital Platform

By Corrie Driebusch
676 words
24 September 2021
The Wall Street Journal
J
B1
English

A new **technology** platform backed by the biggest U.S. banks and money managers is aiming to bring the IPO market into the 21st century.

The syndicate desk -- a longtime fixture at banks across Wall Street where IPOs and other large stock sales are priced and allocated to investors -- has long clung to traditional ways of doing business like phone orders and scribbled pieces of paper, even as other businesses go digital.

Capital Markets Gateway LLC has set out to change that. Backed by Franklin Templeton, Fidelity Investments, Goldman Sachs Group Inc., JPMorgan Chase & Co. and Morgan Stanley, among others, CMG was launched in 2017 by former bankers at Robert W. Baird & Co.

Its platform currently provides data and analytics on follow-on stock sales, block trades and initial public offerings, as well as a list of who the underwriters are for each offering. Later this year, the firm plans to expand its offering to enable investors to place orders for IPOs and other equity-capital-markets deals on the computer rather than doing so verbally over the phone, according to Chief Executive and co-founder Greg Ingram, who previously ran ECM at Baird.

When the system is up and running, buy-side firms -- of which nearly 100 are signed up -- will be able to see what deals are pricing when, what the terms are and digitally enter their orders with lead bankers, so long as they have an existing relationship with them.

Once IPOs and other offerings are priced, instead of waiting until the following morning to learn via a phone call if they received any allocation, fund managers can find out electronically that same evening. They also can see over the platform a breakdown of the commissions owed.

(Over the last year or so, Goldman, Morgan Stanley and others have launched their own direct-order entry systems to facilitate some IPOs, but they are bank-specific.)

Whether the new platform works and -- perhaps a bigger if -- whether IPO-market players ultimately prove willing to change the way they have done business for years, remains to be seen.

But everyone agrees, the system is ripe for improvement.

Ben Batory, head of Franklin Equity Group Trading at Franklin Templeton, said for decades he and his team have kept track of how many shares they asked for in IPOs -- as well as how many they received and at what price -- on loose sheets of paper.

He and his counterparts at other firms talk of calling multiple bankers on a deal to make sure their orders are recorded correctly. And then they wait.

The morning after an IPO prices, a banker calls them, tells them how many shares they got, at what price, and what percentage of fees they owe to each of the dozen or so underwriters. It is up to Mr. Batory, or someone in his shoes, to keep track of it all.

"All these things are ripe for error," he said. "There can be five deals a day, and you need to get the amount right, get the commission right, and it's all chicken scratch on a piece of paper on my desk. It's incredibly challenging."

This year -- the busiest ever for U.S.-listed IPOs and equity capital markets as a whole -- has put the problem in sharp relief. Traditional U.S.-listed IPOs, not including special-purpose acquisition companies, or SPACs, have raised roughly $110 billion, surpassing every other full year in Dealogic's records, while more than $480 billion has changed hands in ECM deals.

About 20 IPOs a week have priced on average; some weeks that number has surpassed 40.

"It used to be that fund managers looked at IPOs and follow-ons," said Michael Wilcox, another CMG co-founder who hails from Baird. "Now they are looking at IPOs, follow-ons, PIPEs [private investment in public equity], SPACs and crossover investments. The only way to truly be able to focus on the investment decision is to utilize **technology**."

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THE WALL STREET JOURNAL.

Business News: Goldman to Buy Lender GreenSky for $2.2 Billion

By Liz Hoffman and Peter Rudegeair
617 words
16 September 2021
The Wall Street Journal
J
B3
English

Goldman Sachs Group Inc. is buying specialty lender GreenSky Inc. for $2.2 billion, striking a deal it hopes will further its reinvention from Wall Street powerhouse to Main Street player.

Goldman will pay roughly $12 a share in stock for GreenSky, which arranges loans for big one-time purchases like construction projects or cosmetic surgery. It works with thousands of merchants ranging from Home Depot Inc. to independent doctors and dentists, and pitches its loans as cheaper and more responsible alternatives to credit cards.

"Our goal is to build a real banking platform of the future," Goldman Chief Executive David Solomon said in an interview. "This moves us along in that journey."

GreenSky went public in 2018 at a valuation of roughly $4 billion, part of a new crop of startups promising to reinvent how people borrow money. It has pitched itself as a **technology** platform connecting consumers who need help covering a major purchase and merchants eager to increase sales.

But missed payments rose, exposing a business that looked more like a boom-and-bust lender than a growing software company. The banks that GreenSky relied on to buy the bulk of its loans -- the company isn't itself a bank and needs outside funding -- started to sour on the sector.

The pandemic didn't help. Stay-at-home orders halted elective medical procedures. Renovation projects that it would have otherwise financed were snarled by supply-chain issues and labor shortages. GreenSky's stock is down about 70% from its peak.

The deal price is 55% higher than GreenSky's closing price Tuesday, though it includes a $445 million tax adjustment. David Zalik, GreenSky's founder and largest shareholder, will join Goldman as a partner, Mr. Solomon said.

Goldman's consumer bank, Marcus, launched in 2016, now offers savings accounts, personal loans and investment advice. But without branches or a long history on Main Street, the firm has struck a series of partnerships to bring in customers -- with Apple Inc. to launch a credit card, with JetBlue Airways Corp. to lend to travelers, and with Amazon.com Inc. to finance inventory for independent sellers in the tech giant's marketplace. Buying GreenSky brings in thousands of merchants.

GreenSky is part of the "**buy now**, **pay later**" wave of companies offering loans that let consumers spread out purchases over weeks or months, usually at lower interest rates than credit cards. Deal making in that sector has ramped up this year, with Afterpay Ltd. selling to Square Inc. for $29 billion and PayPal Holdings Inc. buying Japan's Paidy Inc. for $2.7 billion. Those companies mostly finance online purchases, while GreenSky peddles its loans through bricks-and-mortar merchants and home-renovation contractors.

Goldman has long been averse to takeovers, preferring to nurture its own talent and build internally. It has been more acquisitive under Mr. Solomon, a former deal maker who took the top job in 2018. It bought a network of financial advisers in 2019 and last month struck a deal for a European money manager.

Goldman flirted with acquiring GreenSky two years ago, when GreenSky sought potential buyers after its shares tumbled. Those talks fizzled; the company restarted a sales process earlier this year.

GreenSky in July reached a settlement with the Consumer Financial Protection Bureau to resolve what the regulator called "careless business and customer service practices" that allowed merchants and contractors to take out loans on behalf of thousands of customers who didn't ask for them. GreenSky agreed to cancel up to $9 million in outstanding loans and pay a $2.5 million penalty.

Document J000000020210916eh9g0001s

THE WALL STREET JOURNAL.

Deals Set To Give Banks Busiest Year Ever --- Tie-ups in U.S. valued at $1.8 trillion so far, as businesses make up for pandemic setbacks

By Peter Rudegeair and David Benoit
930 words
8 September 2021
The Wall Street Journal
J
A1
English

Companies world-wide embarked on an unprecedented deal spree this year, emerging from the depths of the pandemic looking to bulk up and address the vulnerabilities it exposed. Simultaneously, buyout firms and blank-check companies have been deploying hundreds of billions of dollars at a feverish pace.

In the first eight months of 2021, companies have announced mergers and acquisitions worth more than $1.8 trillion in the U.S. and more than $3.6 trillion globally, according to data provider Dealogic. Both figures are the highest at this point in a year since at least 1995, when Dealogic started keeping records. Deals are on track to surpass their record set in 2015.

The merger wave is minting money for Wall Street. At big banks and boutique advisory firms alike, deal-advisory revenue reached new heights in the first half of the year. Goldman Sachs Group Inc ., the top deal-making shop on Wall Street, brought in more than $1 billion in fees in each of the three last quarters. It surpassed that level only once in the decade before the coronavirus pandemic.

Advisory revenue should continue to fuel banks through the rest of 2021. Bankers are paid when a deal closes, and many of the year's biggest transactions are pending. It is one reason bank stocks have kept rising: Goldman is up 56% this year, the best performer in the Dow Jones Industrial Average.

With summer vacations ending, bankers expect to get even busier. The deal pipeline at several banks ended the second quarter at record levels. Bankers cite a combination of factors, including a positive economic outlook, elevated corporate cash levels, flush private-equity firms and target-hunting special-purpose acquisition companies, or SPACs.

The landscape couldn't be more different from 18 months ago, when the pandemic sent companies into survival mode. New deal activity froze. Big-ticket transactions or spinoffs that were in the works, such as Xerox Holdings Corp .'s more-than-$30 billion pursuit of HP Inc ., were abandoned.

After the economy stabilized last year, management teams had months to observe the state of their supply chains and digital capabilities. Many concluded that strategic changes were needed.

"All of the ideas that had been percolating in the minds of board members and CEOs but lacked a catalyst have now come back to the top of the agenda," said Dan Dees, co-head of investment banking at Goldman.

For banks, the deal boom was conveniently timed: Trading revenue started to normalize in the first half of 2021 from a blowout period a year earlier when markets were swooning. Low interest rates and tepid loan growth have dented banks' net interest income -- the money they collect on loans minus what they pay on deposits.

The breadth of the current surge is unlike anything many senior deal makers can remember. Blockbuster transactions such as AT&T Inc .'s combination of its WarnerMedia division with Discovery Inc . are only a fraction of overall activity. Deals between $1 billion and $10 billion make up about half the dollar total, according to Dealogic.

The deluge of deals is creating more work than bankers and regulators were set up to handle. Banks including Jefferies and Goldman are handing out roughly 30% raises to junior staffers to help them cope with increased workloads.

The Federal Trade Commission , which reviews certain deals above $92 million, last month said it couldn't complete all merger reviews in the standard 30-day window. In the 10 months through July, the agency received over 2,900 deal filings, 800 more than its busiest full fiscal year in the past decade.

Volumes are high not just in the U.S. and Europe but also in places including Southeast Asia and Australia.

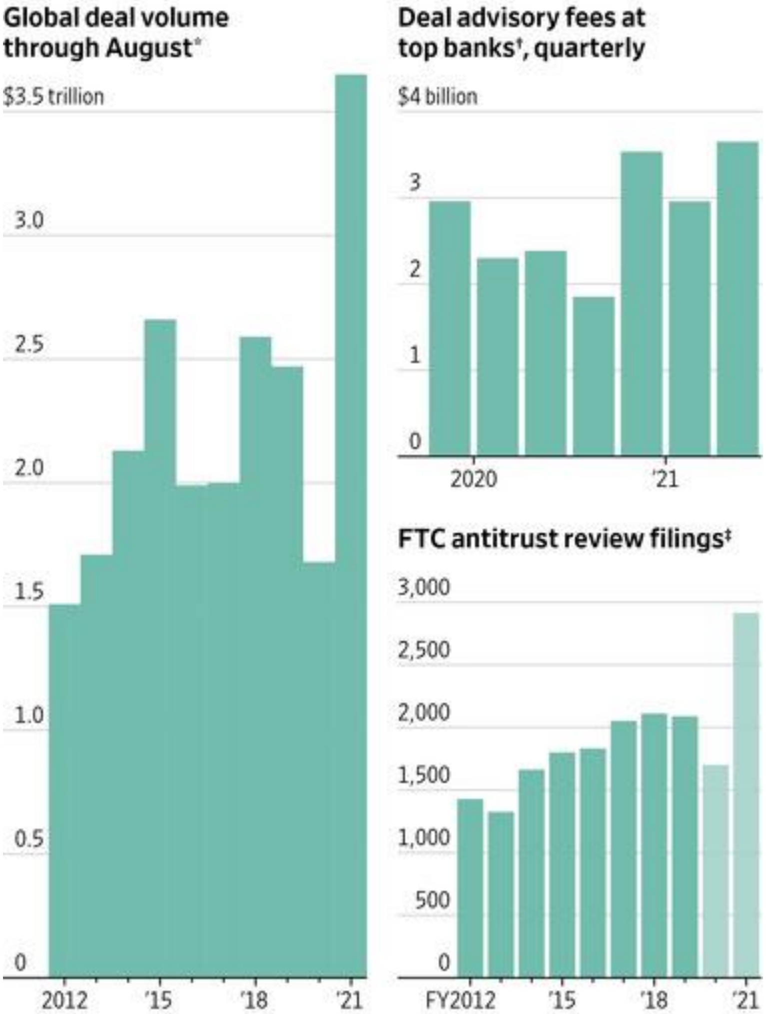
Alongside tech, which recorded the most deals by dollar amount, the list of sectors in which acquisitions are more than double their five-year averages includes aerospace, automobiles and trucking, insurance, leisure and recreation, metals, publishing and transportation, according to Dealogic. In some industries, a scarcity of attractive targets is spurring bidding wars, such as the one between Canada's two big railroads to buy Kansas City Southern .

Last month, Deere & Co . reached a deal to buy Bear Flag Robotics, a startup helping turn its John Deere tractors autonomous. Citigroup Inc .'s co-head of global mergers and acquisitions Cary Kochman said the deal illustrates the widespread demand for new **technology**.

"That's the oldest industrial company in the United States forming its strategy for the next 15 years," Mr. Kochman said. Citigroup advised Deere on the $250 million deal.

Private-equity firms and SPACs also are eager to do deals. Buyout firms already have set a record for annual deal volumes in the U.S. with four months left to go in 2021, according to Dealogic. They had about $1 trillion to spend at the end of June, according to consulting firm Bain & Co . Some 400 SPACs are sitting on more than $120 billion in capital, which could translate into about $600 billion in acquisitions, according to JPMorgan Chase & Co . bankers.

In recent weeks, economic and political developments added more complications. The rise in new Covid-19 cases and hospitalizations could alter growth prospects. The White House's executive order to check the reach of big business and the appointment of officials looking to increase antitrust enforcement could chill future mergers.



*Excluding debt. Data are through the end of August for each year
†Includes Bank of America, Citigroup, Goldman Sachs, JPMorgan and Morgan Stanley
‡Fiscal years ended September; 2021 is 10 months through July. Totals for 2020 and 2021 are based on preliminary data.
Sources: Dealogic (deal volume); Barclays Research (fees); Federal Trade Commission (filings)

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THE WALL STREET JOURNAL.

Business News: Goldman's Petershill Plans Listing

By Julie Steinberg and Ben Dummett
263 words
7 September 2021
The Wall Street Journal
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B3
English

LONDON -- Goldman Sachs Group Inc.'s Petershill Partners said Monday it plans to list an investment vehicle on the London Stock Exchange, taking advantage of a sizzling market for private equity.

The London-based business, which invests in private equity and hedge-fund firms that collectively manage $187 billion in assets, is tapping into investors' desire for juicy returns amid perennially low interest rates. The deal, which would see Petershill's vehicle as a stand-alone company operated by Goldman Sachs Asset Management, could value it at more than $5 billion, said people familiar with the matter.

Founded in 2007, Petershill plans to raise $750 million by selling new shares and will separately sell existing shares. Some of the firms Petershill invested in include Francisco Partners, Caxton Associates LP and Pelham Capital Ltd. Following the offering of new and existing shares, at least a quarter of the new vehicle's shares will be listed.

The listing comes during a buoyant time for private equity. The industry has attracted hundreds of billions of dollars from investors over the course of the pandemic. The share prices of large private-equity firms such as Blackstone Group Inc. have skyrocketed.

A public listing would give Petershill a new source of capital to help fund additional investments. Petershill has targeted firms that manage **technology** investments since 2017 and recently launched a focus on healthcare and environmental, social and governance matters.

The listing is part of Goldman's efforts to capitalize on its asset-management businesses.

Document J000000020210907eh9700020

THE WALL STREET JOURNAL.

China Moves to Reassure Investors

By Keith Zhai and Quentin Webb
883 words
30 July 2021
The Wall Street Journal
J
B11
English

China moved to ease investor concerns about crackdowns on listed companies, with a top regulator privately telling global financial firms that Beijing will consider the market impact before introducing future policies, people familiar with the matter said.

Fang Xinghai, vice chairman of the China Securities Regulatory Commission, spoke to representatives of global banks including Goldman Sachs Group Inc. and UBS Group AG, as well as some investment firms on Wednesday evening, according to the people. Yi Huiman, the securities regulator's chairman, was also present at the closed-door meeting in Beijing, they added.

After the meeting, and following a series of upbeat articles in state media, Chinese **technology** stocks listed in New York and Hong Kong jumped, helping pull broader markets higher and clawing back some of their recent steep declines.

Mr. Fang told those present that China's recent regulatory crackdowns on companies engaged in private tutoring, online financial services and other sectors are aimed at addressing problems in those industries and helping them grow properly, the people said. He also said China doesn't intention to decouple from global markets, and especially from the U.S., the people added.

The CSRC didn't respond to a faxed request for comment. Goldman and UBS declined to comment.

The securities regulator's private comments follow a selloff over the past week in the shares of Chinese companies listed in the U.S. and Hong Kong. The Hang Seng Tech Index, which includes stocks such as Alibaba Group Holding Ltd., Tencent Holdings Ltd. and Meituan, dropped 14% in a week, as the selloff spread from shares of after-school tutoring companies to a swath of Chinese tech firms listed abroad.

The selling also spilled over into the Shanghai and Shenzhen stock markets and caused the yuan to weaken against the dollar.

The American depositary receipts of Alibaba and other U.S.-listed Chinese **technology** companies recovered some of their losses in Wednesday trading in New York. On Thursday Alibaba's ADRs rose 0.8%.

The S&P/BNY Mellon China Select ADR Index rose 8.3% Wednesday, its biggest one-day percentage gain since November 2008. On Thursday, it was up 0.3%. Many Hong Kong-listed stocks also rebounded on Thursday, with Meituan up 9.5% and Tencent jumping 10%.

The central government is concerned about market volatility and the CSRC was communicating on Beijing's behalf, said Liu Zhiqin. Mr. Liu, formerly the chief China representative of Swiss bank Zurcher Kantonalbank, is now a senior research fellow at the Chongyang Institute for Financial Studies at Renmin University of China.

Still, he said that didn't necessarily mean a wholesale change in the government's stance.

"It is difficult to reverse the way that some Chinese government agencies implement policies in the short term," Mr. Liu said. "Many departments these days prefer to take nationalistic policies than liberal ones, to an extent that could undermine the capital markets. This is very dangerous," he said.

Wednesday's private reassurances came a day after Vice Premier Liu He told a gathering of small businesses that China was trying to balance development and security. He said doing so meant protecting competition and consumers, and this would be good for smaller companies -- a message some analysts took as showing that China wasn't trying to crush the private sector.

Mr. Fang told the meeting attendees Wednesday that China will in the future introduce policies more cautiously to avoid market volatility and that more time would be given to let the markets digest new information, according to the people familiar with the matter. He said regulators will also consider the impact of their policies on publicly listed companies.

The government is reviewing variable interest entities -- a structure many Chinese companies have used to raise funds offshore -- but it sees VIEs as a necessary and vital part of how Chinese firms engage with global markets, Mr. Fang said, according to the people.

The regulator also said China's Communist Party is eager to protect the interests of private companies and international investors, and the government plans to introduce more policies to attract foreign investment, the people added.

In recent days, some international investors have expressed dismay over how China's new restrictions for after-school tutoring companies -- which were published by state media over the past weekend -- would in effect force out any for-profit businesses in this sector. Shares of New Oriental Education & **Technology** Group and its other U.S.-listed peers lost most of their market value as a result.

The official Xinhua News Agency said in an article late Wednesday that recent regulations were conducive to China's long-term development and the country would continue to open up to the world.

It acknowledged market concern about potential changes to Chinese policy on allowing companies to list overseas. But it said: "CSRC is open to companies choosing where to list and supports companies in making choices based on their own development needs."

Other state news outlets addressed the concerns of domestic investors. The Securities Times said the selloff was partly due to a "misinterpretation of policy" and the long-term prospects for onshore shares were still good.

Chong Koh Ping contributed to this article.

Document J000000020210730eh7u00029

THE WALL STREET JOURNAL.

Nasdaq Redraws Pre-IPO Market

By Alexander Osipovich
570 words
21 July 2021
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B1
English

Nasdaq Inc. is teaming up with a group of banks including Goldman Sachs Group Inc. and Morgan Stanley to spin out its marketplace for shares of private companies.

The deal could help drive more transactions to Nasdaq Private Market, the New York-based exchange operator's trading platform for shares of companies that haven't yet had an initial public offering.

Trading in pre-IPO shares has heated up in recent years as startups have waited longer to go public. Employees of such companies often seek to cash out of their shares, while investors may want to get in on a fast-growing **technology** startup.

Under the deal, Nasdaq Private Market will be moved into a separate, stand-alone company that will receive investments from a group of banks. The group includes Citigroup Inc., Goldman, Morgan Stanley and SVB Financial Group, owner of Silicon Valley Bank. The companies announced the deal Tuesday after it was first reported by The Wall Street Journal.

Terms of the transaction weren't disclosed. Nasdaq said it would remain the joint venture's largest shareholder.

Most individual investors can't buy shares on Nasdaq Private Market or other markets for pre-IPO shares. Under current regulations, such deals are typically limited to accredited investors -- people who meet certain wealth criteria, such as having a net worth of more than $1 million, excluding one's home, or an annual income above $200,000.

Still, a number of rival trading venues have emerged to bring together buyers and sellers of shares in private companies. These include Carta, ClearList, EquityZen Inc. and Forge Global Inc.

Nasdaq is betting that the bank deal will make Nasdaq Private Market the dominant venue for trading of pre-IPO shares. Its bank partners include some of the biggest Silicon Valley deal-makers, with clients that encompass both startups and well-heeled investors.

"The banks that we're working with will bring a massive amount of distribution," said Nelson Griggs, an executive vice president at Nasdaq.

Nasdaq says its private-market platform is already the leading venue for private-company tender offers. In such transactions, the holders of private-company shares are allowed to sell them within a specified window of time, usually to a large investor or to the company itself.

Cryptocurrency exchange operator Coinbase Global Inc. and cloud-software provider Asana Inc. are among the companies that used Nasdaq Private Market before their IPOs.

In the first six months of 2021, Nasdaq Private Market facilitated a record 57 private-company secondary transactions, according to the exchange operator. The platform handled $4.6 billion in total transaction value in the period, the highest level in three years, Nasdaq said.

Nasdaq said its **technology** and expertise in running markets could help improve the experience of trading pre-IPO shares.

Many of the existing venues for pre-IPO shares have thin volumes, high fees and wide spreads between the buying and selling prices of shares. Due to the paperwork requirements of private-securities deals, it can take weeks for a trade agreed on some of these platforms to result in the actual delivery of the shares.

Nasdaq Private Market was formed in 2013 as a joint venture between Nasdaq and SharesPost, an online marketplace for trading pre-IPO shares. In 2015 Nasdaq acquired SecondMarket Solutions Inc., a competitor in the space, and integrated it into the business.

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THE WALL STREET JOURNAL.

Wall Street's New Rivalry: Who Can See the Most People in Person --- Dealmakers get back on the road, and JPMorgan awards points for meetings

By Cara Lombardo and David Benoit
1,015 words
17 July 2021
The Wall Street Journal
J
A1
English

Wall Street investment bankers are well-accustomed to jockeying for multimillion-dollar fees on corporate deals. Now, the game is focused on just showing up.

After more than a year of Zoom, Wall Street's elite are beginning to emerge from behind their screens and returning to the timeworn custom of in-person client visits, handshakes and wine-soaked dinners.

Rivals Goldman Sachs Group Inc. and JPMorgan Chase & Co., which have already brought their employees back to the office faster than the rest of Wall Street, are urging their bankers to get out and visit boldfaced corporate clients -- and quickly, before others do.

Goldman chief David Solomon began touting the importance of traveling to see clients as soon as New York state quarantine restrictions softened in early April, people close to him say. He modeled the desired behavior himself, asking bankers if they had clients he should visit while he was making trips to places such as Florida and California on his corporate jet. This prompted senior bankers, many of whom had been holed up in the Hamptons and Palm Beach, to hit the pavement.

JPMorgan's Jamie Dimon sprung into action and began pushing the firm's fleet of private jets on managing directors, saying, "If you need to use a plane to go see a client, use it. There are no excuses," according to a person familiar with the chief executive's communication.

The effort intensified when Fernando Rivas, JPMorgan's head of North America investment banking, set up a contest to get bankers on the road again.

The game, which ran during the month of June, awarded senior bankers 10 points for proper face time with CEOs outside their offices, seven for attending board meetings in-person, five for visiting CEOs in their offices, three for CFOs and one for other senior executives such as heads of corporate development, people familiar with the matter said.

For investment bankers used to year-end bonuses that can top $1 million, the stakes were small by comparison: The top point earners would get a dinner with Mr. Rivas and Carlos Hernandez, the executive chair of the investment bank. Still, that didn't stop the gamesmanship from taking flight.

One **technology** banker, Rod Reed, racked up points by hosting a cocktail reception at his San Francisco-area home with several CEOs present, including Mr. Dimon, some of the people said. That prompted eye-rolls from some colleagues and helped propel him to a win. In addition to Mr. Reed, the other winners named this month at an internal meeting were Andy Rabin, a top regional investment banker; Matt Seiter, a **technology** banker; and Phil Ross, who specializes in healthcare. The four winners declined to comment, through a company spokeswoman.

The game seemed to serve its purpose. The bank recorded more than 1,000 total in-person meetings for the month, Mr. Rivas said in an interview, adding that they were often first to see clients in person since the pandemic hit.

Bank CEOs are getting in on the action too.

Mr. Dimon, who wasn't earning points in the game, in late June went to Paris and Rome, winning face time with French President Emmanuel Macron, who came to the opening of the bank's new office, and Italian Prime Minister Mario Draghi.

But Mr. Dimon skipped what was supposed to be a stop in London, unwilling to lock himself down for the required quarantine in the U.K., according to someone familiar with his itinerary.

Around the same time, Citigroup Inc.'s Jane Fraser did the quarantine, staying in a London hotel for her five required days on her first international trip as CEO. She cooked her own meals on a small two-burner stove and caught up on some light television (NCIS) and heavy reading ("Ratification: The People Debate the Constitution, 1787-1788" by Pauline Maier). Things generally went smoothly except when her monitor went dark during an address to the bank's 210,000 employees. (She kept speaking.)

Once free, she said it was worth it to return to Citigroup's Canary Wharf offices, see clients and officials from Bank of England and Rishi Sunak, chancellor of the exchequer. Meetings would run long, but few had other places to be. Plus, there was no traffic, she said.

Though Ms. Fraser made it a point to make personal visits, Citigroup isn't requiring its bankers to start traveling again. Ms. Fraser said the bank won't be tracking banker meetings with clients and will instead focus on the quality of the relationship. She says it will help Citigroup recruit.

The mood is a swift reversal from the early days of the pandemic. When merger-and-acquisition activity screeched to a halt in the spring of 2020, many investment bankers had flashbacks to previous crises and thought about dusting off their resumes. Instead, activity came roaring back in the second half of the year, with a string of megadeals and a SPAC merger bonanza.

At a recent meeting with industry bankers, American Airlines Group Inc. CEO Doug Parker said the ones who had led the company's $10 billion debt deal in March were those who had come to visit him. American hired Goldman and Barclays PLC for the deal. "Do you know how many bankers showed up the next week?" the airline's finance chief, Derek Kerr, said at an industry conference in May. "Every other one."

Ben Metzger, Barclays' head banker for the transportation industry, said many of his recent in-person meetings were more social than PowerPoint-driven. After a record-breaking year for his team, it is working through a backlog of dinners to celebrate closing deals. That means the Lucite trinkets commemorating deals are stacking up again too. "I had clients saying to me, 'Where is my dinner and deal toy?'" Mr. Metzger says.

Alison Sider contributed to this article.

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The New York Times

Business/Financial Desk; SECTB
Behind Lordstown Mess, A Wall Street Dealmaker

By Matthew Goldstein and Emily Flitter
2,108 words
14 July 2021
The New York Times
NYTF
Late Edition - Final
1
English

The clock was ticking for David Hamamoto.

It was June 2020, and Mr. Hamamoto, a former Goldman Sachs executive who invested in real estate, was searching for a business to take public through a merger with his shell company. He had raised $250 million from big Wall Street investors including BlackRock, and spent more than a year looking at over 100 potential targets. If he couldn't close a deal soon, he would have to return the money.

Then, around nine months before his deadline, bankers from Goldman gave Mr. Hamamoto an enticing pitch: Lordstown Motors, the fledgling electric truck maker that President Donald J. Trump had hailed as a savior of jobs. What followed was a swift merger, then a debacle that put two of the biggest forces shaping the financial world on a collision course.

Lordstown went public in October via a merger with Mr. Hamamoto's special purpose acquisition company, DiamondPeak Holdings. A Wall Street innovation, SPACs are all the rage, having raised more than $190 billion from investors since the start of 2020, according to SPACInsider. At the same time, small investors have become a potent force in the markets, driving up the stock prices of companies like GameStop and lapping up shares of SPACs, which are highly speculative and can pose financial risks.

In Lordstown, those forces eventually collided, highlighting the uneven playing field between Wall Street and Main Street. Small investors began piling into Lordstown shares after the merger closed, attracted to the hype around electric vehicles. That's exactly when BlackRock and other early Wall Street investors -- as well as top company executives, who all got their shares cheaply before the merger -- began to sell some of their holdings.

Now Lordstown is flailing. Regulators are investigating whether its founder, Steve Burns, who resigned as chief executive in June, overstated claims about truck orders. The heat is on Mr. Hamamoto. The company has burned through hundreds of millions of dollars in cash. Its stock price has plunged to $9, from around $31. Investors are suing, including 70-year-old George Troicky, who lost $864,201 on his investment, according to a pending class-action lawsuit.

And Lordstown has yet to begin producing its first truck.

A Buyer's Hubris

A native of Hawaii, Mr. Hamamoto began his career at Goldman Sachs, where he helped run the bank's real estate investment companies, known as the Whitehall Street funds. He became one of Goldman's youngest partners before striking out on his own in 1997. Mr. Hamamoto, 61, has owned or operated splashy hotels, office buildings and nursing homes, eventually teaming up with others to build a real estate investment firm, NorthStar Investment.

Stephen Cummings, who has known Mr. Hamamoto for 15 years and served on the board of one of his companies, said the investor ''has been successful because he is smart, creative and consistently reliable,'' and has always kept the interests of all his shareholders at heart.

In 2017, NorthStar merged with Colony Capital, a firm run by Mr. Trump's longtime ally Thomas J. Barrack Jr., to create a company with $58 billion in assets. Mr. Hamamoto left the next year, selling stock worth $27 million.

In early 2019, he launched his SPAC, DiamondPeak, with the intention of merging with a real estate business. By the time Goldman took Lordstown to him, Mr. Hamamoto's team had lost out on several other opportunities, a person familiar with the matter said. He was eager to do a deal.

Mr. Hamamoto, along with members of his team and Goldman bankers, made at least two visits to the Lordstown factory in Lordstown, Ohio, to meet with Mr. Burns in June last year, according to regulatory documents. The company also shared additional information about itself with DiamondPeak.

Since he knew little about electric vehicles, Mr. Hamamoto hired McKinsey to assess whether the **technology** that Lordstown had licensed from others could be put together to build an electric truck, several people briefed on the matter said. The consulting firm said the **technology** was viable, and the deal came together in weeks.

Mr. Hamamoto's scrutiny of Lordstown's business was most likely far less than the inspection that a company undergoes in a conventional initial public offering. In an I.P.O., a company is held to strict reporting standards about its finances and prospects. By contrast, SPAC mergers give companies that would find it challenging to go public on their own an easier path to the public markets.

Lordstown also operated in an industry with one of the lowest rates of success; few start-ups have succeeded at mass producing electric vehicles. Even Tesla, the industry's breakout star, didn't deliver its first car until 2008 -- five years after it was founded. And Rivian, a start-up that will begin delivering electric pickup trucks this year, has been working on its vehicles for more than 10 years.

So for a company like Lordstown -- which had no revenue and no truck for sale -- to succeed, having a management team that could oversee such a complicated endeavor was all the more important. But Mr. Hamamoto didn't focus much on assessing the work experience of Lordstown's management team, including Mr. Burns, who would continue to run the company after the SPAC merger, two people familiar with the matter said.

Magical Thinking

Mr. Burns, who fancied himself as the next Elon Musk, was known as a persuasive talker, prone to hyperbole, former Lordstown employees said. One said Mr. Burns liked to engage in "magical thinking," behaving as if he could will things into existence.

At the rollout of Lordstown's Endurance truck on June 25, 2020 -- which was attended by Mr. Hamamoto and Goldman bankers, who by then were deep in merger talks with Lordstown -- Mr. Burns was quoted in TechCrunch saying the company already had 20,000 pledges to order its truck and planned to begin producing the vehicle by summer 2021. In November, Mr. Burns said there were 50,000 "serious" orders, and in January the number shot up to 100,000.

Although he had previously run a public company, the electric vehicle start-up Workhorse Group, his record there was spotty. Mr. Burns, 62, left Workhorse in February 2019 to start Lordstown, leaving behind years of losses and a company that produced just a few hundred vehicles. At Workhorse, he often touted the viability of a personal hybrid-electric helicopter called Surefly -- a vehicle that had never proved commercially viable.

Neither Mr. Hamamoto nor his representatives talked to executives at Workhorse about Mr. Burns's stewardship or what had motivated him to suddenly resign and later pursue the factory in Ohio, a person briefed on the merger process said. General Motors sold the plant to Mr. Burns in November 2019 for $20 million, prompting Mr. Trump's praise for the Lordstown founder.

Erik Gordon, a business professor at the University of Michigan, said Mr. Hamamoto had an obligation to check into all aspects of Lordstown before signing the deal, including Mr. Burns's abilities to run a large public company.

"Good **technology** isn't enough," Mr. Gordon said. "Give Hamamoto props for checking out the **technology**, but not checking out the jockey of the horse is an astonishing due-diligence failure."

A representative for Mr. Hamamoto said, "DiamondPeak performed extensive due diligence of Lordstown."

Mr. Hamamoto declined to be interviewed. In a statement, he said: "During our diligence prior to entering into our business combination, it was clear that we have the **technology** and the assets to develop the first and best full-size all-electric pickup truck." He added that "the board, management and the entire team are focused on making Lordstown Motors a success as we transition to the commercial stage of our business."

Goldman, which was working with Mr. Hamamoto and arranged $500 million in additional financing for the acquisition, ran only a standard background check on Mr. Burns -- a public-records search that took more effort than simply looking him up on Google but stopped short of any interviews, a person familiar with the bank's activities said.

Mr. Burns did not respond to requests for comment.

Diverging Fortunes

In early August, news of the merger of DiamondPeak and Lordstown drove shares of the SPAC up 20 percent. Small investors, who have become active players in the stock market in recent years, were among those driving up the price.

One investor was Maximillian Lawrence, an artist and a high school teacher in Philadelphia. Mr. Lawrence, 46, said he believed Lordstown would succeed largely because of the implicit backing of G.M. -- which had by then invested $75 million in Lordstown -- and viewed it as a "long-term holding" in his portfolio.

In late September, Mr. Burns showed off a prototype of the Endurance truck at the White House -- an unveiling attended by Mr. Trump. Between October, when the company started trading on Nasdaq under the symbol RIDE, and March, the stock continued to climb.

With Lordstown shares trading around $18 in November, George Troicky, a self-employed investor from Cleveland, dived in, and he continued to buy over the next few months. Mr. Troicky, who lost close to a million dollars on his investment, later said in his lawsuit that he had based his decision "on my own research of publicly available information." A federal judge recently approved him as the lead plaintiff in the pending class-action lawsuit. A lawyer declined to comment on his behalf, citing the suit.

At the same time, some early Wall Street investors and senior Lordstown executives used the opportunity to sell their stock. BlackRock, which originally owned a little more than 2 percent of the combined company, reported owning about 1 percent in March. Millennium Management, a hedge fund firm, and Fidelity, a mutual fund company, also reduced their stakes, filings show. The firms declined to comment on their holdings.

In February, Lordstown's president and its former finance chief were among those who sold about $8 million in stock. A few months earlier, other insiders had sold $3 million worth of shares. A special committee of Lordstown's board reviewed the stock sales and said it had found nothing improper.

Also in February, the Securities and Exchange Commission began investigating Lordstown about statements that Mr. Burns had made about the company's sales prospects. Recently, federal prosecutors in Manhattan opened their own inquiry.

Mr. Hamamoto, whose investment group once owned a fifth of the SPAC, got some of those shares at a steep discount -- meaning that they lose little even if the stock collapses. He and Mr. Burns, who owns 26 percent of Lordstown, are bound by the merger agreement to hold on to their shares until October.

Joe Lukens, a high school friend of Mr. Burns's who owns more than 400,000 shares in Lordstown, said he remained a big believer in Mr. Burns's initial vision.

"I still think Lordstown is a great opportunity and they have a great product and a great factory," Mr. Lukens said.

Mr. Lawrence, the artist, isn't so sure. He began selling his stock after the company's bullish predictions didn't come to fruition and walked away with about $4,000 in profits.

"This was a buyer beware situation," he said. "I was willing to overlook a lot of things because of the affiliation with G.M. I figured G.M. wouldn't partner up with some schmucks."

Mr. Burns and another top executive at Lordstown resigned after its board investigated the company's statements about truck orders. Two people briefed on the matter said Mr. Burns was already considering a new venture.

Mr. Hamamoto remains at Lordstown, but has floated a new shell company, in which BlackRock is again an investor.

Some small investors continued to buy even as Lordstown unraveled. In March, Djordje Karacic, a 23-year-old information **technology** worker in Koper, Slovenia, bought the stock after learning that it had licensed **technology** from Elaphe Propulsion Technologies, a Slovenian firm.

Mr. Karacic, who hasn't broken even, said he harbored no ill will toward the early investors. "It happens all the time, everywhere," he said. "We'd be lying to ourselves if we thought this was a fair market."

Neal E. Boudette contributed reporting.

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David Hamamoto in 2007. His DiamondPeak Holdings merged with Lordstown Motors. Steve Burns, right, the founder of Lordstown Motors. (PHOTOGRAPHS BY PATRICK MCMULLAN; ROSS MANTLE FOR THE NEW YORK TIMES) (B5)

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THE WALL STREET JOURNAL.

Wall Street Split on Forcing Bankers to Return to Office

By Julia-Ambra Verlaine and David Benoit
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There is a growing divide on Wall Street: firms calling employees back and firms telling people they can work from home.

Titans like Goldman Sachs Group Inc. and JPMorgan Chase & Co. are taking a hard-line approach, beefing up in-person staff five days a week in New York even though it might mean losing talent. Rivals including Citigroup Inc. are touting flexibility, betting that a softer approach will help them poach top traders and deal makers.

While businesses across America are struggling with whether and how to have staff return full time, the issue has been particularly thorny at large U.S. banks, where leaders like Jamie Dimon and David Solomon have voiced strong opinions.

Culture is at the heart of the debate. Some say the trading floor is the last bastion of Wall Street, where interns and young employees learn by osmosis. Others think record results in a remote-work year prove that the trading floor and the office alike have lost their relevance.

JPMorgan's investment-banking staff had to be back in the office by Tuesday, including communications, **technology** and operations teams. Sales, trading and research staff members were told to return full time in June. Many sales and trading staffers have already been in the office throughout much of the past year.

Goldman staff members returned on June 14. Mr. Solomon, the CEO, said in February that working from home isn't the new normal: "It's an aberration that we're going to correct as soon as possible."

Leaders at both banks say being in the office leads to better collaboration and idea generation, and they have complained that employees are less productive at home.

Morgan Stanley CEO James Gorman said at a conference last month that he would "be very disappointed if people haven't found their way into the office" by Labor Day.

"If you want to get paid New York rates, you work in New York," Mr. Gorman said then. "None of this, 'I'm in Colorado . . . and getting paid like I'm sitting in New York City.'"

Other banks are betting the strict attitude will look outdated and help them draw in new talent. A recent study by consulting giant McKinsey & Co. showed that more than half of employees prefer hybrid work -- a mixture of working remotely and heading into the office -- up from 30% before the pandemic. "The playing field was level for all these banks because they were forced to work from home at the same time," said Chris Wooten, an executive vice president at the consulting firm NICE who is working with banks to ensure remote-work plans meet risk and compliance guidelines. "The great experiment starts . . . when some go back to the office full time and some don't."

Citigroup said in March that the bulk of its workforce would be in the office about three days a week. "Our vision is you can't go back to what it was, you have to go forward," said Tyler Dickson, the global co-head of banking, capital markets and advisory.

Jefferies Financial Group Inc. is largely letting employees and leaders figure out what will work best from team to team. CEO Richard Handler has said that record revenue proves he doesn't need to issue an edict bringing staff back to work.

"Our people didn't spend the day streaming movies, commiserating about the pain of life in isolation or hiding in any way from their obligations," he wrote to investors this month. "They worked harder and more effectively than at any time in our firm's history."

Some recruiters said that pushing for five days a week in the office will hinder efforts to hire people from other industries, especially when sectors like tech are being so flexible.

That is important because banks, hedge funds and asset managers alike have increasingly been searching far afield for new hires. Goldman has been looking at lawyers, and JPMorgan widened its recruiting pool to span a broader range of universities, including some more focused on engineering and **technology**. Citigroup has been hiring thousands of coders and computer programmers.

Mr. Dimon, the JPMorgan CEO, admitted he has gotten blowback. "Oh, yes, people don't like commuting, but so what?" he said at The Wall Street Journal's CEO Council Summit in May.

A person familiar with the matter said the bank is expecting more people to resign than in other years, but that overall attrition is low. A JPMorgan spokesman said staff members in supporting roles who aren't managing capital or dealing with clients will be able to work remotely a few days a week.

For those returning to the office, some firms have instituted vaccine requirements, while others are requiring disclosures and social distancing for unvaccinated staff.

In private equity, Blackstone Group Inc. called its investment staff back to the office full time in June. Carlyle Group Inc. and Apollo Global Management Inc. are offering more flexibility.

Asset manager Vanguard Group is preparing for most staffers to work from home two days a week, and rival BlackRock Inc. will allow for some level of hybrid work. Some 44% of hedge funds also said they were considering three days a week in office, according to a May survey by industry group Managed Funds Association.

Some Wall Street leaders are wondering if they were too early to promote flexible work.

UBS Group AG, for example, has been touting hybrid work in town halls and memos. So some sales and trading employees were surprised when certain teams were told to return full time by September. Sales and trading employees said the tone shifted after competitors like Goldman and JPMorgan started bringing staff back to the office.

UBS clarified its approach last week, telling staff it was committed to hybrid work "where role, tasks and location allow."

Deutsche Bank AG will bring back employees after Labor Day, when it will open its new offices overlooking Central Park. Many will be able to work from home part time depending on their role. For example, staffers with client-facing jobs will be able to work remotely one day a week. Traders are likely to remain full time.

A spokesman said the bank hoped to attract talent with the hybrid work model as well as the new offices, which include outdoor terraces that can function as meeting rooms.

One particular difference: Fridays. At Capital One Financial Corp., Lazard Ltd. and Vanguard, many staffers will be allowed to work from home on Mondays and Fridays.

At JPMorgan, those who can work from home part time have been told by some managers that on Mondays and Fridays they must be in the office.

Dawn Lim contributed to this article.

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THE WALL STREET JOURNAL.

Business News: Goldman, EQT Near Parexel Deal

By Cara Lombardo and Miriam Gottfried
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EQT AB and Goldman Sachs Group Inc.'s investment arm are in advanced talks to buy contract-research organization Parexel International Corp. for nearly $9 billion including debt, according to people familiar with the matter, the latest healthcare deal for the private-equity firm.

Parexel runs clinical trials and provides other services for drugmakers and is owned by Pamplona Capital Management. A sale to EQT and Goldman could be completed this week, assuming talks don't fall apart, the people said. The business, which is based in Massachusetts and North Carolina, had drawn interest from both private-equity and strategic bidders, they said.

EQT oversees 67 billion euros in assets, equivalent to about $79 billion, and its focuses include real estate, **technology**, infrastructure and healthcare.

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