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Lehman Brothers' Last Partner Finds New Firm at Age 76

Fred Frank, the last partner at Lehman Brothers, is leaving the Barclays-owned company to join his former Lehman colleague, Peter J. Solomon, at his smaller merger-advisory shop.



Associated Press

Lehman Brothers' world headquarters in New York on Sept. 15, 2008

Frank, 76 years old, is a health-care banker who is considered the dean of biotechnology investment-banking. Frank's name recognition has given him unusual longevity in a business where, typically, many bankers left in their 40s.

Frank joined Lehman in 1969, when students were protesting against the Vietnam War, Nixon started his presidency and Lehman Brothers was a partnership. Frank was the first partner Lehman hired from outside the firm. He met his wife, Mary Tanner, there when both were bankers at what was called Shearson Lehman Hutton in the 1980s. Frank kept his partner title right up until the firm he helped build up fell in a bankruptcy in September.

Frank is departing Lehman's new owner, Barclays Capital, to join merger-advisory firm Peter J. Solomon, and Tanner is leaving her effort as an independent banker to join him there. At Peter J. Solomon there is a Lehman reunion of sorts under way, with Frank, Tanner and media banker Fred Seegal, 61, uniting with the firm's founder to reprise their teamwork of the 1970s and 1980s. Frank and Solomon first met when both were advising Black & Decker in the 1970s.

Frank founded Lehman's group of bankers that advise biotechnology companies on mergers and acquisitions, stock offerings and other aspects of corporate finance. He worked on some of mergers that led to the creation of modern-day Genentech. Frank advised Applied Biosciences—the maker of the first gene-sequencing machine—on its initial public offering.

In the health-care sector, biotechnology has often been seen as the little brother of the much larger pharmaceutical sector, which includes such giants as Merck, Roche, Pfizer, Schering-Plough and Wyeth. Biotechnology companies were much smaller and dependent on the success of one or two big drugs or technologies. When the clinical trials of these products succeeded, biotech companies were expected to sell themselves to a pharmaceutical company that could make, distribute and market the drugs on a larger scale.

The biotech sector may be booming again, as consolidation in the pharmaceutical sector shrinks the number of potential buyers of biotech companies. Last week, Frank advised CV Therapeutics on its proposed takeover by Gilead Sciences, and he expects a lot more work to come. "There are over 300 publicly traded biotechnology companies and over 1,000 private companies starving for cash," Frank told Deal Journal.

Frank and Tanner expect biotech companies to find alternatives to acquisitions, with options ranging from raising capital to striking joint ventures with the remaining large drug makers as precursors to possible acquisitions. They also expect more cross-border mergers. "We were known for approaching biotech as a global business, and it's really a global business now," Tanner said.

While Frank and Tanner talk up the fact that Peter J. Solomon has no sales and trading operations—and thus, supposedly

fewer conflicts when it comes to advising clients—they do make a nod to one crucial form of financing for biotechs. Private investments in public equity, or PIPEs, are offerings of stock to a group of private investors, and small biotech companies rely on such financings in order to avoid the volatile public markets. Frank and Tanner expect to keep advising companies on those deals, even without salesmen or traders to keep the fees at home.

Frank and Tanner are both Darwin buffs and see the biotechnology industry through that lens. “Biotechnology is going through a period of Darwinism,” he said. “As he said, survival is neither to the strongest of the species, nor the most intelligent but to those most adaptable to change. We can be of some service to the life sciences industry for its traumatic moment.”

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