

Trust and Confidence

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

EDITORS' NOTE In 1975, Jimmy Lee joined Chemical Bank and worked in a variety of specialty lending businesses until 1980, when he founded and ran Chemical's merchant bank in Australia. He returned to the U.S. in 1982 and started the bank's syndicated loan group, which constituted the origins of the investment banking business at Chemical and later Chase Manhattan Bank. Lee 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, he led the acquisition of Hambrecht & Quist (H&Q), 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 created "one-stop shopping", which 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.



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COMPANY BRIEF JPMorgan Chase & Co. (www.jpmorganchase.com) is a leading global financial services firm with assets of \$2.3 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.

How concerned are you that the U.S. is losing its competitive edge and is today's dialogue addressing the key issues needed to remain competitive?

Well, you are talking to one of the most incurable, patriotic optimists out there. Yes, I think we have probably lost a little of our mojo, but we will get it back.

We have gone through much worse before as a nation and we will get through this. The American way is very rehabilitative; just look at our bankruptcy code. Every American loves the Comeback Kid.

The American people are not happy. They know what the problems are and they want them fixed. We are a resourceful people, so I am confident we will come back.

The lines in the U.S. at immigration are a mile long. The applicant lists at all the great

Do you feel that entrepreneurship and innovation are being lost in the U.S.?

No, I don't agree with that. I spend a lot of time in Silicon Valley and the number of smart young people there who are launching their careers is just staggering. And they are funded by real companies this time around.

Twelve years ago, I was fortunate enough to lead the team when we acquired Hambrecht & Quist. That deal did four things for us that I felt were important at the time: first, it created our first technology practice; second, it enhanced our healthcare practice with a biotech emphasis; third, it launched our first public equity business, which was the last piece to the one-stop-shop puzzle; lastly, it gave us a beachhead in California, which you could see was going to be a springboard of American entrepreneurship. Although H&Q was small, it was a game changer for us. Some of the people leading our practices today came from H&Q. Our Healthcare Conference is still the mother of all of the big equity conferences.

But as important as that acquisition was for us back then, this time around, the Valley is different. There are very large private companies that have yet to go public, which are run by seasoned executives with serious big cap company experience. Not only is the innovation there that we have come to expect from the Valley, but you also have an overlay of real deal leadership – blue chip in some cases. So I'm bullish on innovation, where it's going, and how much capital is financing it. But I am even more bullish on the staying power of the winners. Some will become Dow Jones companies in my view. If you have lost faith in American business – just go to

Silicon Valley.

Where is the U.S. today in terms of deal flow?

There is more deal flow than last year and we expect it to pick up even more later in the year. The activity is still low by historical standards, but it's higher than it was a year ago.

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colleges and universities are packed with kids from around the world. Silicon Valley continues to produce ideas that are changing the way the world lives, not unlike the automobile, telephone, and light bulb did. It's hard to be pessimistic about all this. The world still believes in us. We need to believe in us and I am confident that will happen.

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The drought can be pretty long and pundits will say it's gone and it will never come back. Markets have a way of blindly believing tomorrow will be like yesterday, but we all know that is not always right. At some point the dam will burst because there is just too much water.

You have a reputation for winning a lot of the biggest deals on the biggest stages, even when there are a lot of smart people going after these deals with good brands behind them. What is your secret?

There are many elements that go into winning the biggest deals. You need a great brand, a great team, deep levels of competency, killer preparation, and client trust – all five.

The foundation of our company's success has to be solid collaboration across the businesses. Our brand is resonating better than ever under Jamie's (James Dimon, Chairman and CEO) leadership in corporate boardrooms. On the very biggest deals, Jamie and I often team up. Jes Staley, the CEO of our Investment Bank, and I are always partnering on one idea or another. And I often work with Mary Erdoes, the CEO of Asset Management, to help clients in her world.

In terms of the team, we have some spectacular people I have the privilege of working with. For example, folks like Liz Myers, who runs equity and worked with me on AIG, or Andy O'Brien and Jim Casey, who run our debt businesses. We have outstanding industry bankers like Eric Stein, Jennifer Nason, Larry Alletto, John Simmons, and Fernando Rivas and some terrific up-and-comers like Noah Wintroub, Goksu Yolac, and Michael Millman. I spend a lot of time with Anwar Zakkour and Chris Ventresca on our M&A team. These are all bankers with years of experience, who are deeply competent in their fields.

But competency without rigorous preparation, analysis, and attention to detail will not win the big deal. There is no such thing as being over-prepared because the really big deals are the most competitive in the world.

But of the five points, the most important by far is earning the CEO's trust and confidence.

Every move we make is made with the client's best interest in mind and they need to know that.

Because we live everyday on Wall Street, we know the differences among these firms are actually quite large – the people, culture, and sizes among the firms are different, as are best practices. But to many CEOs, the actual differences are perceived to be much smaller.

It's what I call the "on-any-given-Sunday" effect – i.e. on any given Sunday, any team can beat any other team. The CEOs first look to brand, team, competency, and preparation. But to win the big ones you have to gain the CEO's trust and confidence, and CEOs can be very skeptical of Wall Street today.

So the ultimate key to winning is building that trust. My team and I work really hard on that.

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How critical is being a good corporate citizen and how has that affected your views on philanthropic work?

I was fortunate to be the Chairman of the committee that Jamie set up four years ago to study our initiatives with the military and veterans. One of the most exciting outcomes of our work is the mission to hire 100,000 veterans

within 10 years; an initiative led by my fabulous partner Frank Bisignano. We have also reached out to our corporate clients to join that mission, so there are now 30 companies involved.

Last year, JPMorgan Chase hired 3,000 veterans and the entire group of companies hired 6,000. We give people who have served our country a job. They are all trained leaders so it's good for us and good for our customers.

Philanthropy and giving back is a win-win. JPMorgan Chase donated \$275 million to nonprofit organizations last year. We provided credit and raised capital of \$1.5 trillion for our clients. We increased our small business by 52 percent last year and hired more than 17,000 people during last year's difficult job market.

When clients are looking to build a relationship where the outcome is these big deals, it's about a lot more than just banking the major clients. It all starts at the top. Jamie sends a message of authenticity that breaks down a lot of the clichés and Wall Street stuff. You just need a team that lives and breathes it.

Would you talk about your engagement in education and how that has evolved?

My dad passed away when I was 12 and I went through a few tough years. So I promised myself that when I got older and could control my own destiny, I would look after kids.

When Nicky Forstmann died, I wanted to think of a way to help inner-city kids in his honor. So I put a scholarship in place. Every year in the Catholic school system in the city, a committee chooses a boy and a girl to receive the Nicky Forstmann/Jimmy Lee scholarship. The recipients have to excel in grades, athletics, and leadership. My wife and I did the same thing at our daughters' school.

For about 15 years I have been on the board of the New York Police and Firefighter Fund, which helps out widows and kids who have lost a parent. I recently joined the board of the mentoring organization Big Brothers Big Sisters. I am also a very passionate alum of my college, Williams, which will always occupy an important part of my giving; it got me on my way.

My philanthropy is focused on children and giving them a better shot at the American dream, which I still believe in. ●