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| **Abstract:** | The author discusses notable business failures and investment mistakes that were made in 2008. The bankruptcy of Lehman Brothers was probably the biggest mistake in 2008, causing massive financial failures throughout the stock market. When Microsoft Corp. bid 60% over the market price in a buyout bid for Yahoo, Yahoo ignored it and held out for more. Henry Paulson, secretary of the U.S. Treasury, has changed his mind on several occasions about how to respond to the 2008 financial crisis. |
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**THE DEAL**

## A Turkey Roast

**This year has brought us an unprecedented flock of loser deals. Our most fowl picks:**

IT'S ALMOST THANKSGIVING, so what better time to discuss turkeys? Of the business variety, of course. You know, the kind of foul-up that makes you say, "That's a real turkey." Normally the problem is finding enough turkeys to list. This year there are so many that we can't begin to stuff them into a single article. So here's our 2008 flock.

**Lehman Brothers croaks.** Letting Lehman Brothers go into bankruptcy in September is the turkey of the year, if not the decade, for the Federal Reserve and the Treasury. Lehman's failure set off a round of market freeze-ups and panics that we're still coping with. Among other things, it led to the Reserve Primary money market fund breaking the buck, which threatened a retail panic that forced the Fed and Treasury to intervene.

Plenty of people have been wrong about Lehman-including Lehman itself, which this year spent $761 million buying its own stock at an average price of $49.60. Recent price: 5 cents.

After letting Bear Stearns implode in March, the Fed seemed determined to protect Lehman. Players who thought the firm was safe ranged from Lehman chief executive Dick Fuld (who during the endgame kept holding out for better terms to raise capital that never came) to my employer, Time Inc. (which has taken a $30 million loss on 12 floors in the Time & Life Building it sublet to Lehman in 2007), to yours truly (who wrote in June that "Lehman won't fail"). Oh, well.

Yahoo spurns Microsoft. In a classic case of cluelessness, Yahoo rejected a $31-a-share offer from Microsoft, which had bid 60% above the market price because it was hot to add Yahoo's online heft to better duke it out with Google. Then, when Microsoft offered $33, Yahoo held out for $35. Microsoft walked, and Yahoo did a deal with Google that fell apart. Now Yahoo is selling at about $12. Co-founder Jerry Yang, who's had enough grace to quit as CEO, is asking Microsoft to come back to the table. Good luck, Jerry. Honorable mention: Carl Icahn, who bought into Yahoo on the assumption that he could get a deal done with Microsoft. By our estimate, he's down almost $1 billion on his $1.8 billion Yahoo investment.

**Treasury flip-flop.** Last fall Treasury Secretary Hank Paulson announced a superfund in which banks would combine to buy securities from "structured investment vehicles" they had left off their balance sheets. Amid a lack of interest, the superfund was canceled. Next came the $700 billion Troubled Asset Relief Program, which has now decided not to buy troubled assets. Hello?

Spiking the superfund and not buying troubled assets seem like the right things to do. They're on the turkey list because the government insisted it needed them to save the world, then walked away. That undermines public confidence, the most important asset the government has.

**Zell buys Tribune.** This $13 billion deal, which gave Sam Zell control of the nation's second-biggest newspaper firm last year, has resulted in cuts this year that are disastrous for anyone who cares about having an informed public-that's why I've included it. It may hurt Zell too-a big, high-profile, messy failure would undermine his reputation, carefully cultivated over decades.

**Raiding the Times.** Philip Falcone's Harbinger hedge fund gobbled up enough New York Times Co. stock to scare the company into giving him two seats on its board. Alas for his investors, he's down about 60% on a $512 million investment. No wonder he's begun shrinking his position. After all, the point is to make money, isn't it? Not just to make noise.

THERE ARE PLENTY of other candidates: Merrill Lynch (current price: $11) spending $5.27 billion in 2007 buying its own stock at an average of $84.88. Or a group led by the normally sure-footed TPG buyout house (formerly Texas Pacific Group) putting $7 billion into Washington Mutual five months before regulators seized it and wiped out shareholders. Then there are Fannie Mae and Freddie Mac and American International Group. And on and on.

But, hey, there's a holiday coming. Let's lighten up. Next year, may the turkey on your plate be larger-and the turkeys in your portfolio smaller.

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PHOTO (COLOR)

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