

Barclays Puts Logo on Lehman's 32 Floors of Anxiety (Update1)

By Serena Saitto



Sept. 26 (Bloomberg) – The name on the building is gone. So is the fast-moving video display of clouds in a blue sky over a wheat field combed by wind and followed by a message: “Delivering our firm to clients worldwide.”

In their place on the façade of the 32-story headquarters building of Lehman Brothers Holdings Inc. at 745 Seventh Avenue in Manhattan is the white and blue logo of Barclays Plc. Inside, former Lehman employees still wear the green and white security badges of the 158-year-old bankrupt investment bank and wonder if they'll be gone.

Nine days after Barclays agreed to pay \$1.75 billion for Lehman's investment banking and capital markets, including its headquarters, former Lehman employees at 745 say they're in limbo on whether they'll be retained by Barclays and under what conditions.

“Most bankers work at will, without a contract. This means that there are no rules that protect them,” said Mark Jacobs, a bankruptcy lawyer with Pryor Cashman LLP in New York.

In documents submitted to a federal bankruptcy court in New York, Barclays listed \$2.5 billion being set aside for potential severance and retention costs. Still, a former Lehman investment banker lamented what he said was a lack of clarity about employees' entitlement to bonuses and severance

“When you leave employees wondering about their future you are not making an effort to win them over,” he said.

All former Lehman employees interviewed for this article declined to be identified by name because they said they weren't allowed to talk to the press. Barclays's spokesman Peter Truell declined to comment.

‘Best One’

Lehman, once the fourth-largest Wall Street investment bank, filed for the largest bankruptcy in U.S. history on Sept. 15 with more than \$613 billion in debts. Two days later, Barclays Capital, the British bank's securities arm, agreed to purchase Lehman's investment banking and capital markets units in the U.S.

On Sept. 21, the day after its acquisition won approval from the bankruptcy court, Barclays sent an e-mail to many of Lehman's 10,000 employees in the U.S., asking them to report to work the next day. Since then, some former Lehman employees in New York say they've been meeting with Barclays's managers, who have three months to decide who stays.

“We're evaluating where we do have overlap between Lehman and Barclays employees,” Rich Ricci, chief operating officer of Barclays's investment-banking division, said Sept. 23. “We'll try to identify the best one for the seat.”

Ricci, 45, is responsible for integrating Lehman into the U.K.'s third-largest bank. Before the Lehman acquisition, Barclays Capital had 5,000 employees in the Americas.

'Surreal' Situation

Some former Lehman employees might be retained to work on the liquidation of the company's assets.

"Those who stay behind will be paid a retention fee, with the knowledge that that work won't last forever," said Jacobs, the bankruptcy lawyer.

The day after Lehman filed its bankruptcy petition, employees said they returned to the firm's headquarters and found a "surreal" situation: their corporate credit cards were canceled; transactions requiring cash outflows were banned; all trading was halted – and they were left idle.

Some of the workers said they went to their desks later than usual, choosing instead to work out at a gym. Others were seen drinking at nearby bars, mourning the firm's end. Now, some say anxiety about the Barclays's takeover has lessened.

"Like in every merger, we are getting to know each other," said another former Lehman banker who described the situation as "quickly normalizing."

Job Prospects

Recruiters say job prospects for former Lehman workers are good even amid the market conditions that pushed Goldman Sachs Group Inc. and Morgan Stanley to transform themselves into bank holding companies, and the seizure yesterday by government regulators of Washington Mutual Inc. in the biggest U.S. bank failure in history. Since July 2007, banks and brokerages worldwide have reduced their ranks by 120,000, according to data compiled by Bloomberg.

"Lehman talent is very desirable to other firms," said Gary Goldstein, chief executive officer of Whitney Group, the New York-based executive search firm that has worked for Lehman and Barclays. "Depending on their area of expertise, they will have a number of options, including regional banks, small investment bank boutiques and hedge funds."

For stores and restaurants around Lehman's former headquarters, it will be business as usual "as long as the building will be operating and full," says Bill Kokosis, who owns Majestic, the deli-restaurant in front of Barclays's new edifice.

Liz Willis, who owns the newsstand in front of 745 Seventh Avenue, is more romantic.

Regardless of the building's logo, "it's always going to be Lehman Brothers for me," she said.