Sale of Lehman's European arms edges closer
Chris Hughes, Una Saigol and Nicole Bullock

A sale of Lehman Brothers' European equity trading and corporate finance units was inching closer last night, although prospects for a deal to save the bank's fixed-income business in the region were looking poor.

PwC, the administrator to Lehman in Europe, had been locked in talks over the weekend with Barclays, the UK lender, and Nomura, the Japanese bank, according to people familiar with the discussions. Barclays was primarily interested in the equities arm, while Nomura was focused on the advisory franchise. PwC was seeking a single deal covering both assets.

"The equities team and investment banking team represent several thousand jobs. We are hoping to create certainty for these staff within the next day," said Dan Schwarzmann, partner at PwC, yesterday.

"We are hoping to go with one party. In terms of giving the best future for the staff, and getting the best for creditors, it is easiest with one party. But I'm not saying that's where we will end up."

Progress on a sale of Lehman's European asset management business was less advanced, although discussions with potential buyers were likely to start in the coming week, Mr Schwarzmann added.

Barclays had assured senior Lehman executives that their staff would "not be dis-advantaged relative to US colleagues" in any deal, according to a person close to the discussions. The pledge came after Barclays maintained the $2.5 bn (€1.7bn, £1.4bn) bonus pool accrued at the US operations of Lehman it acquired last week. Barclays also negotiated special deals for a handful of senior directors and a further 200 key staff at the US businesses, which employ 10,000 people in total.

The European corporate finance business employs about 800. A deal for the equities unit could cover 800-1,500 staff depending on the back-office resource required by PwC for its ongoing work. That could include the orderly closure of the fixed-income business, a sale of which now appeared to be unlikely, according to one Lehman insider.

PwC and Barclays declined to comment.

Meanwhile, a US bankruptcy judge on Saturday approved amended terms of a sale of Lehmans' North American investment banking business to Barclays.

Throughout the proceedings in Lower Manhattan last week Judge James Peck and lawyers for Lehman highlighted the urgent nature of an approval in order to soothe the financial markets and safeguard client wealth and jobs.

The decision came less than a week after Lehman and Barclays unveiled the deal. This was said to be worth $1.75bn when announced, but lawyers for Weil, Gotshal & Manges, Lehman's counsel, outlined revised terms during the proceedings on Friday, citing "economic changes, largely because of markets". Asset value at Lehman dropped to $47.4bn from $70bn and the value of property, including Lehman's headquarters in Manhattan, was appraised at a lower price.

In a sign of the rushed nature of the transaction, Lehman and Barclays could not provide a final number until hours into the proceedings, which lasted into Saturday morning. The purchase price for the real estate part of the deal is now $1.29bn.

Fonte: Financial Times, London, September 22 2008, Primeiro Caderno， p. 6.