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Chicago braces for Lehman, Merrill impact

By: Steven R. Strahler **Sept. 15, 2008**

(Crain's) — The bankruptcy filing of Lehman Bros. Inc. and the pending sale of Merrill Lynch & Co. to Bank of America Corp. threaten to hit Chicago's battered financial sector hard.

Lehman has about 550 local employees, and Merrill Lynch employs hundreds as well. Both firms are based in New York.

"Ultimately, it's going to have a very devastating impact on the region," says Laleen Doerrer, a Lehman vice-president in Chicago who deals with hedge-fund customers. "There just aren't the big employers to pick up the slack. We've watched our financial services industry get cannibalized by New York and Europe."

Many Merrill Lynch jobs are expected to survive under the B of A umbrella, as the Charlotte, N.C., banking giant seeks to expand its retail franchise with Merrill's brokerage accounts.

However, **Kathy Graham**, an executive recruiter specializing in financial services, says the stream of résumés that have been pouring in "all year" from local Merrill Lynch and Lehman employees is surging, turning the job outlook into one resembling that which followed the dot-com crash in 2000.

"We are at the (job displacement) levels we were at in 2002," says Ms. Graham, principal of Naperville-based HQ Search Inc. "We weren't quite there before. This will definitely throw us into the post-dot-com market."

Lehman's largest local shareholders, as of June 30, were Northern Trust Corp., with 6.4 million shares, or nearly 1% of shares outstanding; Chicago-based hedge fund [Citadel Investment Group LLC](#), which owned 633,983, and LSV Asset Management, with 595,187, according to a filing with the Securities and Exchange Commission.

At the end of June, the stock was trading at about \$20 per share. Lehman stock, priced Friday at \$3.65, was trading around 20 cents a share Monday.

Inside Lehman, "there's a certain amount (of), 'I can't believe this has happened,'" says Ms. Doerrer, the Chicago-based vice-president. And the shockwaves won't be confined to people within the company. "It'll affect some of the priciest real estate in town."

Lehman's local investment banking office won lucrative assignments to represent [Chicago Mercantile Exchange Holdings Inc.](#) in its 2007 bid for the Chicago Board of Trade and in CME's just-closed deal to buy New York Mercantile Exchange parent Nymex Holdings. Lehman also is the underwriter for a pending IPO by Chicago firm Echo Global Logistics Inc.

"There's going to be job loss, no doubt," says Chicago restructuring expert Bill Brandt. But he says it will "pale in comparison" to the impact on the financial job market here from B of A's acquisition last year of LaSalle Bank.

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