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## Lehman Pursues Former Brokers' Bonuses

By JOSEPH CHECKLER And SUZANNE BARLYN

**Lehman Brothers Holdings Inc.** is going after dozens of former brokers who Lehman says must pay back bonus money received when they joined the firm, and so far the investment bank is faring quite well.

Any money recovered eventually could end up in the hands of Lehman's creditors, who under the current timetable could start getting paid back in early 2012. Bonuses are structured as up-front loans based on brokers' expected future compensation.

Earlier this month, a Financial Industry Regulatory Authority, or Finra, arbitration panel ruled that former Lehman broker Bryon James Botsford must pay back about \$2.2 million for breaching his contract on two promissory notes, which brokers typically sign to secure bonus payments. Mr. Botsford, now a managing director at **Citigroup Inc.**'s private bank, tried to get a reduction on what he owed but was unsuccessful. Mr. Botsford wasn't available for comment.

That case is so far the most lucrative among the 50 or so that Lehman is currently pursuing, some of which involve brokers who were hired in the years just before Lehman collapsed in September 2008, according to a person familiar with some of the cases.

In another recent arbitration ruling in Boston, a Finra panel ruled that former Lehman broker Pauline Sheedy, who was hired in 2007, must pay back about \$800,000. Ms. Sheedy is now a senior vice president at U.S. Trust, **Bank of America Corp.**'s wealth-management unit. A spokeswoman for U.S. Trust declined to comment.

A Finra spokeswoman declined to comment.

"We see these as simple cases," said a spokeswoman for Lehman. "For the most part, the terms of the contracts and loan obligations are clear and explicit as they relate to employment termination."

While the wording of the promissory notes differs from broker to broker, many of the Lehman contracts in dispute say that brokers must return money "upon the termination of employment for any reason," or something similar. After Lehman's U.S. brokerage was bought by **Barclays PLC** in the September 2008 week in which Lehman filed for bankruptcy, many Lehman brokers lost their jobs.

Broker victories in disputes over repayment are relatively rare, since arbitration panels tend to view the arrangement as a contract that they must enforce.

Lawyers for the former Lehman brokers may try to argue "impossibility" as a defense against the firm's note claims, said Thomas Lewis, a securities lawyer for Stark & Stark in Lawrenceville, N.J. "It's impossible to do your job if it's no longer there," he said.

Mr. Botsford and other Lehman employees who signed notes couldn't complete the terms of those notes because

Lehman ultimately didn't exist, he said. "Here's a guy who is ready, willing and able to do the job, and the entity fails," he said.

Mr. Botsford's case isn't likely to influence the outcomes of other pending cases. "The results will be different," Mr. Lewis said. The impossibility defense is usually used when trying to prove whether a person is physically able to perform a job.

Jonathan Uretsky, a partner at Phillipson & Uretsky LLP who often represents brokers in similar cases, said it is unlikely that the "impossibility" defense would work unless such a situation was explicitly defined in the contract.

"I would never want to actually have to go to arbitration with that as my sole defense," Mr. Uretsky said.

In some other cases, brokers have tried to blame Lehman for overleveraging itself and eventually driving the company into bankruptcy, but the arbitration panels have been unsympathetic.

—Jennifer Hoyt-Cummings contributed to this article.

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