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Bailout blues

Goldman loan to crisis-hit staff International Herald Tribune

Having led gilded lifestyles in good times they are now short of cash

Goldman Sachs got its bailout. Now some of its bankers, those aristocrats of Wall Street, apparently need a bit of a bailout too. Goldman, which accepted billions of taxpayer dollars last fall and, as learned on Sunday, was also big beneficiary of the rescue of American International Group, is offering to lend money to more than 1,000 employees who have been squeezed by the financial crisis. The loans, offered via e-mail last week, could range from a few thousand dollars to hundreds of thousands.

Working at Goldman has long been regarded as a sure path to riches. But Goldman's employees are losing money on their personal investments — particularly in Goldman's own elite investment funds, which have been considered one of the perks of working at the bank. Now these funds have stumbled, and some Goldman employees who financed their gilded lifestyles by borrowing in good times are suddenly short on cash needed to meet commitments to their personal investments in the funds. **"It's a problem with the culture of spending," said Gustavo Dolfino, the president of Whiterock Group, a Wall Street recruitment firm. "No matter how much you have, you spend like you have a lot more."** The development comes at a tumultuous time for Goldman Sachs, which is struggling to recapture its former glory — and profits — since it became an old-fashioned bank holding company. Goldman is one of the eight banks that were told to accept taxpayer money, and it is trying to pay that money back soon.

Got rich before crash

With a focus on real estate and private equity investments, the funds — which also include Goldman Sachs Capital Partners — have traditionally performed extremely well, sometimes increasing sevenfold in a few years. Goldman even promoted its employee participation in the funds as a selling point to outside investors. Some Goldman employees got rich before the markets collapsed, allowing them to invest several million dollars in the funds, often on a leveraged basis. Only three years ago, Goldman paid more than 50 employees more than \$20 million apiece. In 2007, its Chief Executive, Lloyd C Blankfein, collected one of the biggest bonuses in corporate history — nearly \$70 million.

But one former Goldman partner estimated that a quarter of the bank's roughly 100 partners are now worth \$5 million or less because of losses on their company stock and other investments. Last year, the bank's seven top executives received no bonuses. One of them, Jon A Winkelried, resigned from his position as co-president. His estate on Nantucket is on the market. Employees in the funds are contractually obligated to meet requests for more capital. Several funds have such capital calls scheduled for April. Employees who fail to make the payments risk losing their jobs, according to a person familiar with the situation. The new loans at Goldman are being offered to help employees meet capital demands from the internal funds and cannot be used for other personal needs, according to people familiar with the matter.