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Merrill's bull run ends with Bank of America sale

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NEW YORK: Merrill Lynch & Co Inc is one of the largest investment banks on Wall Street, but the venerable company and its world-famous bull emblem are about to be relegated to the annals of Wall Street.

Merrill, which has posted more than \$40 bn in write-downs and credit losses over the last year, has agreed to sell itself to Bank of America Corp for \$44 bn, or \$29 a share, a source briefed on the matter said on Sunday.

This is probably not the ending that CEO John Thain was reckoning on when he took the top job at the brokerage late last year, but it could have been much worse.

At \$29, the price represents a 70 per cent premium to Merrill's depressed closing price on Friday.

And the firm, widely seen as the next target of short-sellers, has at least avoided the inevitable questions about its survival that would have followed an expected bankruptcy filing by Lehman Brothers, with which it shared some of the same underlying problems.

Thain's success in arranging to sell at a premium is particularly impressive given the hurdles faced by Lehman Brothers in its attempts to find a buyer for its structured debt and other parts of its business.

Lehman Brothers last week announced a plan to sell various businesses and spin off its worst holdings - only to fail to find takers for any of its last-gasp plans.

**"The big difference here is that the CEO of Merrill is a much smarter guy than (Lehman CEO) Dick Fuld was, and he's half as arrogant, and he understands the cards he has to play with," said Gustavo Dolfino, president of recruiting firm WhiteRock.**

Merrill Lynch has been struggling - its share price has fallen more than 63 per cent this year - but investors had been hopeful the company would pull through under the guidance of Thain, who was brought in late last year after Merrill posted record losses.

Previously, he was CEO of NYSE Euronext, operator of the New York Stock Exchange.

When the dust settles, there are likely to be just two surviving independent investment banks: Morgan Stanley and Goldman Sachs Group.

"What they are doing is shoring up the next domino," said Peter Goldman, portfolio manager at Front Barnett Associates in Chicago. "They're putting Merrill in as safe hands as possible to halt the downward spiral."

Thain has, in fact, done much to improve the bank's outlook. He arranged a deal to dispose of some \$30 billion of the firm's most toxic debt to Dallas-based private equity firm Lone Star Funds, and he hired key staff such as Tom Montag from [Goldman Sachs](#) to oversee the turnaround.

"I'm surprised that Merrill Lynch would want to sell at this point," said Bill Fitzpatrick, analyst at Optique in Milwaukee.

But Thain's master stroke may prove to be agreeing to be wed before a shotgun was involved.

In March, Bear Stearns was forced by the Federal Reserve to sell itself for \$2.00 a share to JPMorgan Chase, although the price was later raised to \$10 after [shareholders](#) rebelled.

By selling Merrill, Thain avoids a third quarter of write-downs and a battle to support the bank's share price.

Last week alone the shares fell 38 per cent on concern the bank could follow Lehman in struggling to raise sufficient capital to make up for its credit losses.

Combining with Bank of America may create an institution that has scale and clout, combining one of the largest US commercial banks with the biggest retail brokerage in the world.

The combined entity will have a strong base in the United States but will also benefit from Merrill's investment banking presence abroad.