

## Bank of America Offers Bonuses to Merrill's Brokers (Update3)

By Bradley Keoun and Josh Fineman

Oct. 24 (Bloomberg) -- [Bank of America Corp.](#) is offering Merrill Lynch & Co. brokers in the U.S. bonuses of as much as 100 percent of the annual [revenue](#) they bring in, to keep them from defecting after the firms merge, people briefed on the plan said.

Brokers who generate at least \$1 million of fees and commissions are eligible to receive the full amount over seven years, according to the people, who declined to be identified because the incentives haven't been disclosed. The Charlotte, North Carolina-based bank is offering smaller bonuses to [Merrill brokers](#) who produce at least \$500,000 and rolling out a separate retention program for its own brokerage force.

Bank of America Chief Executive Officer [Kenneth Lewis](#), 61, is trying to prevent attrition in Merrill's brokerage ranks after agreeing last month to buy the New York-based securities firm in an all-stock deal valued then at \$50 billion. The 16,850-broker unit has outperformed Merrill's investment-banking and money-losing trading businesses this year.

Retention awards will help ensure "that the full long-term value of this combination is realized," [Robert McCann](#), chief of Merrill's brokerage division, said in a statement. "It is important for clients, shareholders and the future of the combined company to retain top-performing advisers."

McCann, 50, was named earlier this week to head the combined firms' brokerage units following the takeover.

### Recruiting Calls

"Merrill brokers are getting pummeled with recruiting calls, even more than usual," said [Biff Robillard](#), who left Merrill in May after 24 years to start his own investment advisory firm, Bannerstone Capital Management LLC in Deephaven, Minnesota. "Merrill has to say, 'Here's a retention package to compete against the opportunity to go across the street or go independent.'"

[Bank of America](#), the largest U.S. consumer bank, will pay Merrill brokers who produce \$750,000 to \$1 million of revenue as much as 75 percent of that amount, according to the people with knowledge of the plan. Brokers who generate \$500,000 to \$750,000 may get 50 percent.

The bonus program applies to Merrill's 15,500 U.S. brokers, about half of whom are likely to qualify for some award, the people familiar with the incentives said. Separate plans are being offered to brokers in Asia, Europe and the Middle East, they said.

The program may leave some lower-producing Merrill advisers disappointed, said [Darin Manis](#), chief executive officer of RJ & Makay, a recruiting firm in Colorado Springs, Colorado.

'Crown Jewel'

"There are a lot of unhappy advisers," said [Mindy Diamond](#), president of Diamond Consultants LLC in Chester, New Jersey. At least half a dozen rival firms are luring brokers with incentives that in some cases exceed 200 percent of annual fees and commissions, said Rick Peterson, president of Rick Peterson & Associates, a recruitment firm in Houston.

Lewis said last month he was considering paying bonuses to keep Merrill's brokerage unit intact. "We have the capacity to do that and we plan to do something because it is the crown jewel of the company," Lewis said on a conference call on Sept. 15, when the acquisition was announced. The deal is scheduled to be completed later this year after regulatory approvals and votes by shareholders.

Bank of America's 1,964 brokers, who will be folded into the Merrill network, may be eligible for deferred cash awards, payable over three years, of as much as 50 percent if they generate more than \$2 million of annual revenue, the people familiar with the plan said.

Pride, Bull

Bonuses of 40 percent will be awarded to brokers with \$900,000 to \$1.99 million of annual production; 30 percent for those with \$600,000 to \$899,000; and 20 percent for those with \$350,000 to \$599,000, the people said.

Bank of America plans to keep the Merrill Lynch brand name for brokers after the deal is completed, so executives at the firms are characterizing the bonuses as transition awards, according to the people. The bonus programs were announced within the companies today, the people said.

Merrill brokers are known for their pride in the 94-year-old firm, embodied by its corporate logo -- a bull, said [Danny Sarch](#), president of Leitner Sarch Consultants in White Plains, New York. That pride was dented as mortgage-bond writedowns in Merrill's trading division saddled the firm with five straight quarterly losses totaling \$24 billion.

"This takeover has made their people vulnerable in a way they've never been before," Sarch said. "They have a brand name that has been so strong for years and years, and this is the first time the bull has limped."

Transition

[Merrill](#) fell \$1.65 today, or 9.4 percent, to \$15.86 in New York Stock Exchange composite trading as of 4:15 p.m. In January 2007, it traded as high as \$97.53. Bank of America shares fell \$1.93, or 8.4 percent, to \$21.07.

[JPMorgan Chase & Co.](#), the largest U.S. bank by market value, agreed in March to pay brokers at Bear Stearns Cos. a maximum bonus of 100 percent of their annual revenue to keep them after acquiring the company. Brokers bringing in more than \$500,000 got about three-quarters of their totals upfront and the rest in stock. Brokers with less than \$250,000 in revenue weren't offered a bonus.

Wall Street pay has come under increased scrutiny as the U.S. Treasury moves forward with its plan to invest \$250 billion in the nation's banks, including \$25 billion split between Bank of America and Merrill. House Financial Services Committee Chairman Barney Frank earlier this week said there should be a freeze on Wall Street bonuses.

Alabama, Oregon

Some Merrill brokers were concerned that the scrutiny might prompt Bank of America to scale back the plan, Diamond said.

Bank of America and Merrill say their brokers are spread out across the U.S. and represent Main Street as much as Wall Street. While Merrill's brokers are concentrated in places like New York and California, there are 218 in Alabama, 122 in Oregon and 72 in Nevada, according to the company.

Merrill brokers will be in place to help ``clients navigate the most volatile markets we've seen in decades," said [Keith Banks](#), who oversees Bank of America's wealth- and investment-management arm.

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