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# A Subject Barely Mentioned at Merrill Meeting

By PATRICK McGEEHAN

**P**LAINSBORO, N.J., April 28 — A year after David H. Komansky, the chairman of [Merrill Lynch & Company](#), apologized to shareholders for the firm's tainted investment advice, he barely discussed the topic at the firm's annual meeting here today.

As Mr. Komansky led his sixth and final meeting, he spent more time defending the firm's treatment of women in its brokerage business and the pay of its executives than discussing the global settlement that regulators were preparing to announce a few hours later in Washington. State and federal regulators said that Merrill, the first of 12 firms caught up in the scandal, had defrauded buyers of certain Internet stocks. It agreed to pay \$200 million of the \$1.4 billion settlement.

Merrill's punishment was harsher than those of all but two of its competitors. [Citigroup](#) agreed to pay \$400 million and to issue a statement of contrition from its chairman and chief executive, Sanford I. Weill. Credit Suisse First Boston also agreed to pay \$200 million.

"This past year was a difficult year to be in business for our clients, our employees and our company," Mr. Komansky said. "There is nothing more important to us than being able to reposition ourselves in the public eye as we think we should be."

Mr. Komansky, 64, did not broach the subject of the settlement, nor did his successor, E. Stanley O'Neal, who has been chief executive since December. But a shareholder did, asking what the firm was doing to restore investor confidence.

Mr. O'Neal, 51, said that the firm had already made most of the changes required by regulators to reduce the influence investment bankers have over the analysts who rate companies' stocks for investors. He said the firm was "redoubling" efforts to restore its reputation.

"Clearly we're not perfect and we have not always lived up to our ideals," Mr. O'Neal told a full auditorium at Merrill's training center here.

After the meeting, which lasted less than an hour, Mr. O'Neal said there would probably be more lawsuits against Merrill as a result of the announcement of the regulators' findings that some of the firm's research had been fraudulent, coupled with the announcement that Henry M. Blodget, Merrill's former senior Internet analyst, had agreed to pay \$4 million to settle with state and federal regulators.

"It's sort of like throwing a party and inviting a lot of people in, isn't it?" Mr. O'Neal said. He added that Merrill had set aside what it thinks will be enough money to cover the costs of litigation arising from the investigations that led to the settlement.

The investigations, which turned up embarrassing e-mail messages that showed that Merrill analysts harbored negative views of companies they were recommending to the firm's clients, cast a dark cloud over the last year of Mr. Komansky's six-year tenure as chairman. They may have hastened Mr. O'Neal's ascent, but Mr. Komansky, who joined Merrill as a broker in 1968, dreaded leaving on such a sour note.

During the meeting, Mr. Komansky fielded several questions from current and former Merrill brokers who have filed sex-discrimination complaints against the firm. Nancy Thomas, who still worked for Merrill when she joined a group of women who sued the firm five years ago, pressed Mr. Komansky on the firm's hiring and promotion of women.

A Merrill executive acknowledged that, at 15 percent, the share of women among its 14,000 brokers had barely changed in three years. But on his last day on the job, Mr. Komansky was not in a lame-duck mood. Having heard similar complaints at previous meetings, he parried any suggestion that Merrill's treatment of women had not improved.

"It's very difficult to think in terms of numbers or percentages when we're in a contraction as we've been," Mr. Komansky said from a lectern, flanked by Mr. O'Neal and Rosemary T. Berkery, the firm's general counsel. "It is a far different environment at Merrill Lynch today than it was in 2000."

Mr. Komansky dismissed the notion that there was a "so-called glass ceiling" at Merrill and said that "there is nothing that holds back women or any other minority group" there. He challenged the women who still had complaints by saying, "It's time to get on with life and either compete or not."

Of the 912 claims filed against the firm under a mediation program set up in the settlement of the sex discrimination class action, all but 58 have been settled, Mr. Komansky said.

"There is nothing we would like better than to end this once and for all," he said. He added, "What we will not do is be blackmailed into paying an outrageous amount of money."

Another shareholder called the compensation paid to senior executives "excessive," noting that five of them had received a total of \$57 million last year. Mr. Komansky and Mr. O'Neal each received more than \$15 million and Mr. Komansky stands to receive annual payments of more than \$1.5 million in retirement.

"I can understand how people feel that way," he said. But he added that the firm was in a competitive industry and had to pay competitive compensation packages. Noting that Merrill had eliminated more than 20,000 jobs in two years, Mr. Komansky said that making those cuts "took an enormous amount of skill on the part of the management committee."

When Mr. Komansky rapped the gavel to close the meeting, he ended a farewell tour of sorts. In the last several weeks, he had visited the firm's employees and clients as far away as Hong Kong.

Two weeks ago, Mr. O'Neal and his wife held a going-away party for Mr. Komansky at the St. Regis Hotel in Manhattan that was attended by Richard A. Grasso, the chairman of the New York Stock Exchange, and some of Merrill's chief competitors.