

## >: When grandparents attack! The true story behind the Wachovia/Golden West merger...

Thursday, July 24, 2008 / Dylan Jovine

OPEN: NOVEMBER 2006: An elderly married couple who could pass for caring grandparents are sitting inside a luxurious conference room waiting for a meeting to begin. The man (a Ben Stein look-alike) is whispering to his wife (a Barbara Bush look-alike) in hushed but forceful tones. It's clear they are talking about something important.

MAN: There's no way this deal is gonna go through. I don't care what they agreed to verbally last week. I just can't see it happening. 25 Billion dollars for a mortgage company at the very top of the mortgage market? Not in million years.

WOMAN: You keep yapping your mouth like a little girl and you'll talk us out of a \$1.2 Billion profit. Now stop whining and get it together before someone hears us, Herbert!

The woman stops talking and looks carefully around the large conference room. She stands up and begins to walk around the room staring at each picture slowly, apparently looking for a recording device.

HERBERT: Oh, great. Here she goes again. Would you stop being so paranoid for just a minute? You're not Al Capone or some other infamous mobster. You're Marion Sandler, President and Co-Founder of Golden West Financial.

MARION (whispering forcefully): Shhhh! How many times do I have to tell you to keep a lid on it you ninny? I'm not gonna let you blow a \$1.2 Billion profit for us. And for the last time, I know we're not doing something illegal. If Wachovia Bank (SYM: WB) wants to pay us \$15 billion more for our company than it's worth, that's their problem.

There's a long pause as the couple digests the reality of the size of the offer on the table. It seems like almost yesterday that they bought the company for 3.8 million dollars. Did 30 years really go by that fast? It just doesn't seem real.

MARION: And don't forget -

HERBERT (cutting her off): I know, I know - don't ever, ever, ever bring up the fact that America Online Co-Founder Steve Case is advising us personally on how to pitch them the deal.

MARION (staring angrily at her husband as if he forgot to mention something): And...

HERBERT: And don't - under any circumstances whatsoever - let them know that we know former Time Warner (SYM: TWX) Chairman & CEO Jerry Levin is advising them on deal valuation.

Long pause. Stony silence.

MARION (looking like she just swallowed the canary): You know something dear? I honestly don't know what makes me happier - the outrageous price they're willing to pay or the fact that we won't have to deal with the financial and legal blow up when this mortgage market hits the fan. And we all know it's gonna hit the fan... BIG TIME!

HERBERT (nodding in agreement): Yeah. Congressional hearings... state attorneys general... the press. You name it. And you can bet your bottom dollar if it has something to do with housing or mortgages, it'll be on the 6 o'clock news every night for the next five years.

MARION (looking like she just got sprayed by a skunk): 1991 was it for me. No more. But I have a feeling this will make '91 look like chicken feed.

Both shudder at the memory of the S & L crisis as they curse Michael Milken under their breath.

MARION (staring at her husband lovingly): No matter what happens promise me one thing please.

HERBERT: Name it.

MARION (writhing in pain): Promise me I won't have to sit through one more housing bust news cycle.

HERBERT (solemnly): I promise.

MARION (eyes welling with tears): Promise me you'll turn off the TV every time the local news trots out some toothless former homeowner from Los Angeles who lost her house because she fell behind in her mortgage payments. Or some poor schlub factory worker from Detroit pretending to

be a victim just because he didn't hire a lawyer to review his mortgage agreement.

HERBERT: I promise.

MARION: If the butler so much as accidentally puts on CNN and one of those parasites is on the screen I'll throw both the butler and the television down the stairs. I just... I just... I just can't go through that again.

HERBERT: Neither can I, dear, neither can I. And the good news is that we won't have to. Never in my wildest dreams did I think anybody would be stupid enough to pay us \$25 billion. I still have a hard time believing it to be honest with you. Who knew that those idiots at Wachovia - of all people - would actually be the ones to put the "gold" into Golden West?

MARION (chuckling, regaining her composure): Wachovia "put the gold into Golden West." That's funny.

HERBERT (running with it): Yup, Wachovia put the "gold" into "golden parachute."

MARION (back in control): Ok, Herbert enough. I get the point. Just keep it down.

There's a sound at the door. Voices. Sounds like the whole executive team at Wachovia. They sound excited, ready to do the deal as the door begins to open.

MARION (whispering quietly): Ok, ok here they come! Are you ready? Ok, on the count of 3 we snap back into grandparents mode ok? Here we go...1...2...3 "HARMLESS GRANDPARENTS."

And just like that, Marion and Herbert snap right into "harmless grandparents" character again. As (former) Wachovia CEO Ken Thompson walks in beaming with his management team and board of directors, both of them stand up slowly (very, very, very slowly) to greet them.

MARION & HERBERT (emphasizing their arthritic shake): Well, hello there sonny boy!

KEN THOMPSON (with a \$25 billion smile): Please sit, Marion. And you too Herbert. We wouldn't want anything to happen to you before we finalize this merger now would we?

MARION & HERBERT (in unison, shaking, clinging to their chairs): Oh, oh that's so kind of you. I wish our grandchildren were as considerate as you are.

KEN THOMPSON (smiling as if he's the one who ate the canary): Alright then. LET'S MAKE A DEAL!

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FAST FORWARD TO PRESENT DAY:

Dear New Wachovia CEO Bob Steel,

Let me start off by saying that I think your name is perfect for the job you've inherited. You and I both know you're going to need to become the Man of Steel to revive Wachovia's reputation.

I also know that you've begun to purge all of the key people involved in the Golden West Acquisition, which I think is a good decision.

But if my information is correct, it seems that there are a few key people still on the board of directors of Wachovia who were there - and therefore involved - in making your bank's awful decision to buy Golden West a reality.

Fortunately for you (and Wachovia shareholders), I think I can help you purge the rest of the ignorant culprits from your ranks.

I know what you're thinking. How on earth can a writer for *The Tycoon Report* in Delray Beach, Florida, possibly help the Man of Steel purge Wachovia?

Well, on December 19th, 2006, I wrote an article in this very publication titled, "[Want to know how to spot the start of a bear market? The answer may be right in front of you.](#)"

As you can imagine from the title, the article suggested that Wachovia's hyper-inflated purchase of Golden West Financial was a sure-fire sign that the boom was over in the housing market (as well as the mortgage and stock markets of course).

Here's an excerpt:

*"What I'm saying is that we may have very well hit the top of this particular bull market cycle.*

*What makes me say that?*

of \$7.85).

How did I get it so right? Am I a super-analyst? Do I have x-ray vision that allows me to see bear markets and bad deals far, far into the future?

Not at all. Anyone who's been around Wall Street as long as I have would have seen it. But you know that already. I read on your resume that you earned your chops at Goldman Sachs (SYM: GS) earlier in your career.

Nope, the reality is that I didn't so much as get it right as the Wachovia team who made the deal got it wrong - dead wrong.

And between us - just two Wall Street veterans speaking in private - you know this as well as I do.

So, Mr. Steel, here's my "finish-purging-Wachovia" suggestion: Finish reading the article in its entirety (I've attached the [direct link to it](#)).

If, after reading the article, you have the urge to vomit on everyone on your board of directors who was involved in the Golden West deal then it's probably a good indication that they should be fired immediately.

I'd hate to see you ruin the carpet in that lovely conference room.

(PS: Big props to Suntrust Banks for reporting great earnings this week. The earnings were good enough that I'm even considering opening another account with them! Also want to thank the local Delray office of Suntrust for being such good sports and having a good sense of humor about my article last week!)



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