

The New York Times

Late Edition

Today, warm, breezy, partly sunny, high 85. Tonight, cooler and partly cloudy, low 62. Tomorrow, partly sunny, light winds, high 74. Weather map appears on Page D6.

VOL. CLVII . . No. 54,434

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NEW YORK, MONDAY, SEPTEMBER 15, 2008

\$1.50



LARRY W. SMITH/EUROPEAN PRESSPHOTO AGENCY

Residents of Galveston Island, in Texas, lacking services like power and water after Hurricane Ike, were evacuated Sunday.

After Surviving Storm, Fleeing A Fetid, Devastated Galveston

By IAN URBINA

GALVESTON, Tex. — For thousands of people stuck on an increasingly fetid Galveston Island, the aftermath of Hurricane Ike is proving to be far worse than the storm itself.

With no water or power, no working toilets, no food or phones, people faced growing public health concerns here on Sunday. More than 2,000 residents who had defied an evacuation order were taken off the island, and state officials tried to ensure that no one could return.

"The storm was easy," said Brenda Shinette, 51, who rode out the hurricane in her home but went to a shelter Sunday hoping to be taken to the mainland. "It's what came after that was terrible."

"We have no showers, and the food is spoiled," Ms. Shinette added. "I feel like I want to pass out, but I can't tell if it is from too

much heat or too little food."

Across coastal areas of Texas, officials on Sunday mounted the largest rescue operation in the state's history. [Page A21.]

Five people were found dead in Galveston on Sunday, including one person in a submerged vehicle near the airport. Officials expressed fears that more would be found as other areas of flooding were searched, particularly on the west end of the island, where there was "horrendous" devastation, said the city manager, Steve LeBlanc.

"We had been taking rescue calls" from the west end, Mr. LeBlanc said at a news conference, "but we have lost all communication with them. We know there were people out there. What happened to them, I'm not sure."

The authorities said that it

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New Donors Help Obama Raise A Record \$66 Million in a Month

By JEFF ZELENY and MICHAEL LUO

CHICAGO — Senator Barack Obama raised more money in August than any presidential candidate has ever recorded in a one-month period, with his campaign disclosing on Sunday that it collected \$66 million and drew 500,000 first-time donors to his candidacy.

The record-setting figures and particularly the new supporters



EMMANUEL DUNAND/A.F.P. — GETTY IMAGES
Barack Obama is on track to meet bold fund-raising goals.

who can contribute again before Election Day were crucial for Mr. Obama, who was heading into the general election as the first major-party candidate to forgo public financing. The campaign amassed its millions of dollars through an aggressive Internet drive, by attracting some of Senator Hillary Rodham Clinton's donors and as concerns increased over a tightening contest.

David Plouffe, the Obama campaign manager, said more than 2.5 million people had contributed since the race began.

"The 500,000 new donors to the Obama campaign demonstrate just how strongly the American people are looking to kick the special interests out and change Washington," Mr. Plouffe said in an e-mail message on Sunday.

While the amount surpassed the previous record of \$55 million set in February by Mr. Obama, it is in line with ambitious goals his campaign set in June, when he

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BIDS TO HALT FINANCIAL CRISIS RESHAPE LANDSCAPE OF WALL ST.

NEWS ANALYSIS

Jittery Road For Markets

By FLOYD NORRIS and VIKAS BAJAJ

Wall Street and the federal government played a game of chicken over the weekend, and neither side backed down, pushing Lehman Brothers toward bankruptcy and setting off worries of a worldwide sell-off when markets open on Monday.

While some feared a precipitous decline in the markets, others hoped that Bank of America's surprise announcement Sunday that it was buying Merrill Lynch might provide enough reassurance to calm investors.

"That would be seen as very good news," Liz Ann Sonders, the chief investment strategist for Charles Schwab & Company, said of Bank of America's \$50 billion or \$29 a share offer, a price far higher than Merrill's close on Friday but less than a third of what the stock was worth early last year, before the mortgage crisis began to damage financial firms.

With major Asian markets closed for a holiday on Monday, the answer regarding investor response could wait until European markets open, and, after that, the American exchanges.

In the Lehman talks on Sunday, the government, worried about the precedents it had set in helping to rescue the investment bank Bear Stearns and the mortgage finance giants, Fannie Mae and Freddie Mac, wanted Wall Street to collectively take on the risk that Lehman's assets were worth far less than the firm claimed. The firms, worried about their own capital, balked, though in the end they may take on some of the risk as Lehman's investments are unwound.

Both the government and Wall Street announced steps to make a repeat less likely. The Federal Reserve said it would lend against more assets, including stocks, thus providing an additional cushion for a troubled firm. And the banks said they would set up a facility to buy assets from troubled firms in the future.

But none of that will help Lehman. Now, the risk for the financial firms is that investors will respond by trying to do exactly what they are trying to do — minimize their risk. If enough investors do that and choose to sell, stocks could plummet in markets worldwide, thus increasing the risks rather than easing them.

"We don't want to be the first one in," said Thomas Attebery, a partner at First Pacific Advisors, an investment firm in Los Angeles.

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KEVIN WOLF/ASSOCIATED PRESS



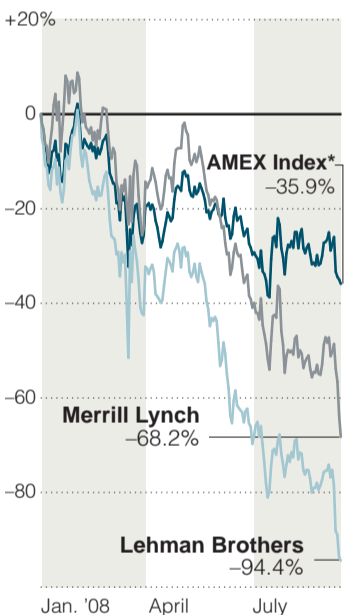
FRED R. CONRAD/THE NEW YORK TIMES



DANIEL ACKER/BLOOMBERG NEWS

Clockwise from top left, Richard Fuld Jr. of Lehman, John Thain of Merrill Lynch and Kenneth Fuld of Bank of America.

Percent change in share price Since Dec. 31, 2007



*The American Express Securities Broker/Dealer Index is an index of major financial institutions. Source: Bloomberg

WALL STREET SHAKE-UP

WATCHING THE MARKETS

Coverage of initial investor reaction in Europe and the United States markets, and details of what happened behind the scenes in the weekend talks:

nytimes.com/business

BANK FULFILLS A QUEST By agreeing to buy Merrill Lynch, Bank of America is close to fulfilling its dream of adding a dominant brokerage business. PAGE A18

SAFETY NET Concerns over what may unfold in the market on Monday led the Fed to dramatically loosen its standards on making emergency loans to major Wall Street investment banks. PAGE A19

INSURER SEEKS CASH Before seeking a lifeline from the Fed, American International Group weighed a range of options to stabilize its finances. PAGE C1 For the latest: nytimes.com/business

Stunning Fall for Main Street's Brokerage Firm

By LOUISE STORY

It's the end of an era for Merrill Lynch, the brokerage firm that brought Wall Street to Main Street.

Merrill, which has lost more than \$45 billion on its mortgage investments, agreed to sell itself to Bank of America for \$50.3 billion in stock, according to people briefed on the negotiations.

It is a remarkable fall from grace for the 94-year-old Merrill, whose corporate logo — a bull — has long symbolized the fundamental optimism of Wall Street. After a frantic weekend of talks between Wall Street executives and federal officials over the fate of the teetering Lehman Brothers, fear spread on Sunday that

Merrill, staggered by losses, might also falter. The merger would combine Bank of America's banking and lending strength with Merrill Lynch's wealth management expertise.

"It is an enormous shock," said Steve Fraser, a Wall Street historian and author of "Wall Street: America's Dream Palace."

"Merrill was a kind of bedrock institution whose stability and longevity was taken for granted and was reassuring to people," Mr. Fraser said. "Even in these very highly erratic and speculative marketplaces like we've been living through, you didn't think Merrill would be vulnerable."

The sale, if completed, would open a new chapter for Merrill,

which was founded in 1914 and promoted the idea that anyone, not just the rich, should invest in markets. Merrill's brokers would be combined with Bank of America's smaller group of wealth advisers into an entity called Merrill Lynch Wealth Management, these people said. Customers with brokerage accounts at Merrill are unlikely to be financially affected.

Merrill, the nation's largest brokerage firm, was one of the earliest Wall Street firms to go public, in 1971. Its executives, traditionally former stockbrokers, have long been viewed as spokespeople for the entire industry. After the crash of 1987, for instance, Merrill's chief executive appeared

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NATIONAL A13-22

Inquiry Into Fatal Train Crash

Federal investigators said a collision warning system could have prevented the head-on crash of a passenger train and a freight train last week in Los Angeles, which killed 25 people. PAGE A13



SPORTSMONDAY D1-10

Second-Stringer Is First Rate

The Jets could not take advantage of a Patriots team playing its first full game without Tom Brady, losing at home, 19-10. The Giants rolled over the Rams, 41-13, and the Broncos and the Colts each won in dramatic fashion. PAGE D1

METRO B1-7

Firing Up Wood for Winter

With the increased cost of heating oil and natural gas, many are turning to wood-burning stoves. PAGE B1



With the increased cost of heating oil and natural gas, many are turning to wood-burning stoves. PAGE B1

ARTS E1-10

David Foster Wallace's Magic

The writer died Friday at 46. An appreciation by Michiko Kakutani. PAGE E1

ONLINE

Tan's Novel as an Opera

Excerpts from the San Francisco Opera production of "The Bonesetter's Daughter," based on the Amy Tan novel.

nytimes.com/arts

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William Kristol PAGE A25

Paul Krugman PAGE A25

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