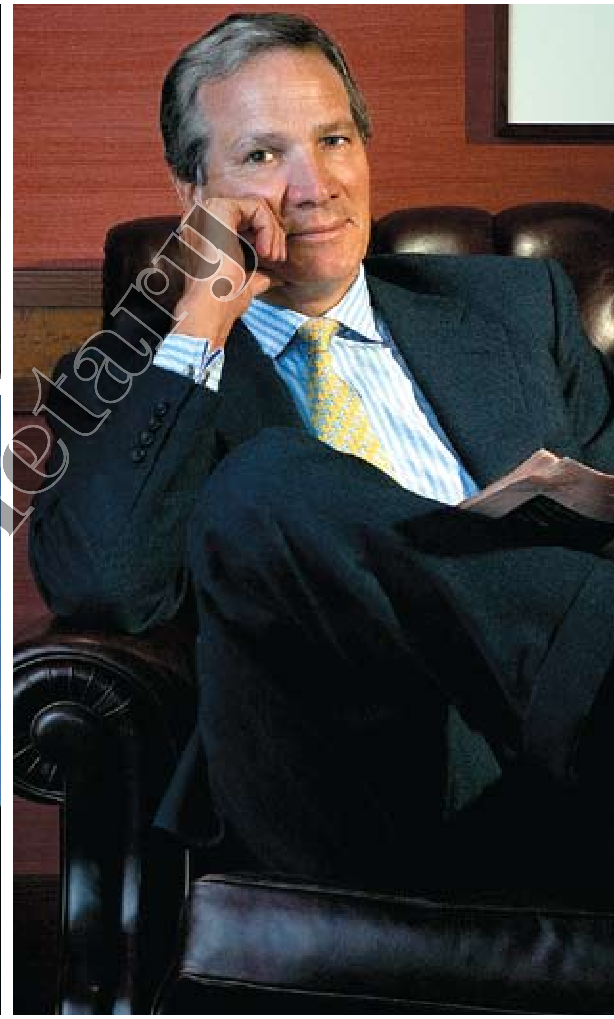


PEOPLE

ANOTHER MERRILL SHUFFLE; BUYING INTO KENYA; IS SAN DIEGO BACK?

BRIGHT SPOT, BIGGER JOB

Global wealth management was one of the few bright spots for Merrill Lynch last year. Even amid a net loss for the firm in 2007 of $8.6 billion, pretax earnings for global wealth management soared 41 percent year-over-year, to $3.6 billion. Still, global wealth management Americas head Mac Gardner, a friend of departed CEO Stanley O'Neal, has left the firm. **Dan Sontag**, who has been with Merrill since 1978, is taking his spot. Says Robert McCann, president of global wealth management at Merrill, "We made these changes so that we can focus on our core purpose — serving our clients." Sontag had been head of Merrill's network of advisory and private banking offices across the U.S. and Latin America. He also ran recruiting, another bright spot last year: Turnover among Merrill's financial advisers hit historical lows. — *Julie Segal*

INVESTORS WITH GRIT

Postelection violence has sent Kenya into convulsions — with more than 900 people killed and another 250,000 displaced — but some of the country's boosters continue to hold out hope for the future. Among them: **Temitope Lawani** and Babatunde Soyoye, the Nigerian-born founders of four-year-old, London-based Helios Investment Partners, sub-Saharan Africa's largest private equity fund, with more than $575 million in assets. Helios, which claims a 45 percent annualized return on more than a dozen investments stretching from Namibia to Nigeria, closed an 11 billion Kenyan shilling ($168 million) purchase of a 24.99 percent stake in Kenya's Equity Bank on December 21, seven days before street battles broke out over charges of presidential election fraud. "Violence has been confined to Nairobi and the Rift Valley, so we remain optimistic about Kenya's prospects," says Lawani, 37. He and Soyoye, 39, were partners at U.S. private equity firm TPG in London before starting Helios. Says Lawani, "We are prepared to invest through tough times."

— *David Lanchner*

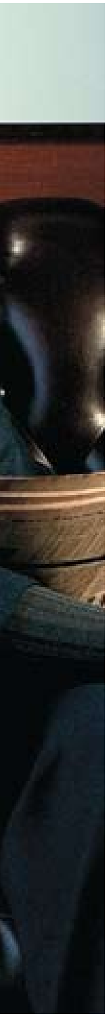
AGUIRRE'S ANGST

Eager to reenter the bond market, San Diego, sanctioned by the U.S. Securities and Exchange Commission in November for committing the biggest municipal securities fraud in U.S. history, says its finances are mending. Just don't tell that to City Attorney **Michael Aguirre**. "It's all just political spin," he insists. Mayor Jerry Sanders says the city — which failed to disclose deteriorating pension and retiree health care deficits in 2002 and 2003 bond offerings — is now fully funding retirement and health care obligations and has money left over for long-neglected infrastructure projects. Aguirre concedes progress, noting the December ruling by the Internal Revenue Service that two of the city's pension benefits are unlawful. But he continues to pursue a lawsuit, now in the appellate court, to roll back benefits worth some $1 billion. "We really need to get rid of benefits that weren't paid for," he says. "I don't want to be the city attorney when everybody borrows money and it blows up."

— *Steven Brull*

GOING AFTER CASCIATO

It isn't just sovereign wealth funds that see an opportunity to cash in on the havoc wreaked on financial institutions by the credit crunch. Veteran banker **Chris Casciato**, betting on potential opportunities in insurance, securities



Clockwise from bottom far left: Merrill Lynch Americas wealth management chief Dan Sontag; Egan-Jones Ratings Co.'s Sean Egan; Bear Stearns' Alan Schwartz; San Diego City Attorney Michael Aguirre; Lightyear's ex-Goldman banker Chris Casciato; Nigerian investor Temitope Lawani; U.K. fund manager and fiscal critic Patrick Evershed

AGUIRRE: HOWARD LIPIN/SAN DIEGO UNION-TRIBUNE/ZUMA PRESS.

lending and specialty finance, has left Goldman Sachs to join Lightyear, a private equity shop founded by former PaineWebber chairman and CEO Donald Marron. Lightyear, with $3 billion in committed capital, is one of the few private equity shops focused on such areas as asset management, banking, brokerage, financial technology and insurance. "The distressed environment has a lot of firms looking for private equity," says Casciato. "Financial services private equity doesn't rely on as much leverage, so there are still a lot of opportunities out there." *— J.S.*

CONFLICT RESOLUTION

Is the U.S. ready for another kind of bond ratings agency? **Sean Egan**, co-founder of 15-year-old Wynnewood, Pennsylvania–based Egan-Jones Ratings Co. sure hopes so. In late December his outfit, which charges investors, not issuers, for its ratings, obtained Nationally Recognized Statistical Rating Organization (NRSRO) status from the U.S. Securities and Exchange Commission. That ought to help the firm, which employs 14 analysts, better compete with other NRSROs, including longtime leaders Standard & Poor's and Moody's Investors Service. Egan-Jones says it has more than 400 clients — hedge funds, pension funds and other investors — but NRSRO status, which took 11 years to win, should help it gain more. "If you're running a mutual fund set up to invest in investment-grade bonds, why would you rely on a ratings agency that is supported by the issuers?" says Egan. "The whole game is wrong." *— Michael Shari*

CALEDONIAN CASSANDRA

Finally, **Patrick Evershed** is feeling vindicated. Over the past three years, the U.K. fund manager has spent some £70,000 ($137,700) of his own money on advertisements slamming the Labour Party government in daily newspapers. "Gordon Brown's economy has been built on a mountain of debt," Evershed, 66, warned in a recent full-page ad in a supplement to *The House Magazine*, which covers British politics. The ad decried what Evershed cited as a record low savings rate, a record trade deficit, record personal debt levels and out-of-control government borrowing. "People are living way beyond their means," he frets in a telephone interview. "The government has created the credit crisis." Evershed, manager of an £80 million-in-assets small-company fund at New Star Asset Management, heads, no surprise, the City of London branch of the opposition Conservative Party. "People used to think I was nuts," he says. "But now they are starting to believe me. The situation is extremely dire." *— Jo Wrighton*

BEAR CEO SEES FRESH START

Bear Stearns has been rocked by the collapse of several of its hedge funds and management turmoil, but new CEO **Alan Schwartz** insists that the firm is on the rebound. "I think people realized that we have righted the ship, and our businesses are off to a strong year," says Schwartz, the 57-year-old longtime banking chief who succeeded Jimmy Cayne last month following the firm's announcement of an $854 million net loss for the fourth quarter of 2007 — its first-ever quarterly loss. Bear Stearns wrote down $1.9 billion in mortgage inventory in the quarter and closed a third hedge fund last month. But Schwartz says the mood inside the firm remains "very strong," and the onetime pitcher for the Duke University baseball team sees Bear Stearns "going back to playing offense" to generate business. *— Xiang Ji*