Pensions & Investments Magazine

FRIENDS NO MORE: Sloan suit troubling for firm

Justin Beckett, 13 others accused of embezzlement and fraud through New Africa Opportunity Fund

BY **CHRISTINE WILLIAMSON** | MARCH 5, 2001

DURHAM, N.C. - Even the crown prince of the minority money management world - Maceo Sloan - may have trouble shrugging off the latest controversy enveloping his financial empire.

Mr. Sloan alleges the man many called his alter ego - Justin F. Beckett - engaged in embezzlement, fraud and conspiracy while managing a $120 million private equity fund, the New Africa Opportunity Fund. Sloan Financial Management Group Inc., Durham, was the fund's manager through its New Africa Advisers Inc. subsidiary.

Mr. Sloan, through his holding company Sloan Financial Group, has filed a suit in North Carolina state court against Mr. Beckett for as much as $30 million in punitive damages and recompense.

Also named in the suit are Mr. Beckett's wife, Dorika Mamboleo, and colleagues Michael Sudarkasa, Theresa Clarke and 10 other people, identified only as "John Doe 1" through "John Doe 10."

Mr. Beckett left Sloan last July after allegations of misappropriations and unethical money management practices.

Established in 1997, the New Africa Opportunity Fund made venture capital investments in South African companies. Sloan Financial Group's New Africa Advisers Inc. and New Africa Management LLC subsidiaries were the investment advisers to the fund. Late last year, they were replaced with Zephyr South Africa Management.
There are nine investors in the fund, eight U.S. banks and insurance companies and a U.S. government agency, the Overseas Private Investment Corp., Washington, which provided two-thirds of the fund's assets. Mr. Beckett also was the manager for the Calvert New Africa Fund, a socially screened mutual fund. Calvert Group Ltd., Bethesda, Md., has filed a shareholder resolution seeking permission

to merge the New Africa Fund, which has a pan-African investment approach, into a new fund with a South Africa-only investment strategy, the Calvert South Africa Fund, said spokeswoman, Elizabeth Laurienzo. If approved, the new investment advisers will be Reinvest in South Africa Investment Advisers LLC, Philadelphia, and African Harvest Asset Managers Ltd., Newlands, South Africa.
Neither Mr. Sloan nor Mr. Beckett responded to requests for interviews.

Said Mr. Beckett's attorney, David Lagasse, an associate partner at Pillsbury Winthrop LLC, New York: "Nothing wrong was done by Mr. Beckett nor any of the other individuals named in the suit. What was done in setting up New Africa Finance Corp. was fully known by Maceo Sloan and the government through the Overseas Private Investment Corp. There was an investment memorandum about NAFC that was signed off on by the government and to do that, it had to be submitted by Sloan Financial."

The Sloan Financial suit alleges that Mr. Beckett set up NAFC in Mauritius in order to bank the proceeds of alleged bribery and extortion of some of the South African companies in which the New Africa Opportunities Fund invested.

Mr. Lagasse said criminal charges have not been filed against Mr. Beckett or his associates.

Mr. Beckett was the first person Mr. Sloan hired in 1991 to staff NCM Capital Management Inc., Durham. NCM was a new money management firm formed after Mr. Sloan bought the investment management unit of North Carolina Mutual Life Insurance, Durham, a company founded by his family. Mr. Beckett, a former football player for Duke University and the Dallas Cowboys, was popular in Durham, with his clients and with industry colleagues, said many observers.

Many observers seemed to have had an inkling early on that all was not well within Mr. Sloan's North Carolina money management empire, at least with regard to Mr. Beckett and the African investment strategies he managed. In addition to the business units that invested in South Africa, Sloan Financial also includes NCM Capital, which

manages about $6 billion mainly for institutional investors.
The impact of the accusations by these two old friends is "a black eye for the industry," said Adrian Anderson, senior managing consultant at Gray & Co., Oakland, Calif., which is known for its work with plan sponsors seeking minority-owned money management firms.

"I am extremely saddened by these developments, especially after the support they got from all over the country when they started," said Mr. Anderson, who formerly headed the District of Columbia Retirement Board, and was responsible for the fund becoming one of Mr. Sloan's first clients. "This firm had the potential to be a $25 billion to $50 billion firm and to see it come down to this ... It's bad for the money management industry. It's just bad all around for humanity."

But officials at Dreyfus Funds, New York, still have confidence in Mr. Sloan, who subadvises the equity portion of the $29 million Dreyfus Third Century Fund. "At this point, we have no reason to doubt his competence as an investment adviser," said Patrice Kozlowski, senior vice president of corporate communications at Dreyfus. The Dreyfus Third Century Fund is a socially responsible fund.
Mr. Sloan and New Africa Advisers were in line to become the managers of a second, $350 million African private equity fund set up by OPIC, according to the lawsuit. Mr. Beckett, according to the suit, was supposed to be lining up investors for that fund by Nov. 30, but was not doing so at the time of his resignation last July.