



## The Rise and Fall of Africa.com

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**A sad tale of greed, betrayal, and the death of an ambitious plan to create the "AOL of Africa."**

By Mark Fineman, December 2000 Issue

The fax ran just seven pages, double-spaced, but it ripped through the modest wood-and-brick building marked Africa.com like a bomb.

It was Aug. 17. Africa.com, tucked in a quiet little corner of an office park in the rolling hills of Chapel Hill, N.C., had been abuzz for months with the dreams of a generation. It had drawn some of America's hottest young black professionals, people with gold-plated resumes stamped with Harvard, Stanford, Silicon Valley, and Wall Street. They brought with them not just brains and experience but a rare sense of historical mission: Their startup would link the world's poorest and most desperate continent -- Mother Africa -- with the high-tech genius and prosperity of 21st-century America.

Africa.com had, some of them would later say, something of the feel of a crusade -- and potentially a very lucrative one. Looming over it all was one of the most prominent figures in modern black business history, financier Maceo Kennedy Sloan. Sloan's pioneering career had been an inspiration to many of the young entrepreneurs who had signed on at Africa.com. From middle-class roots in Durham, N.C., the 51-year-old Sloan had built his Sloan Financial Group into what he calls the largest black-owned money management firm in the United States, with \$6.5 billion under management. In 1996, the Clinton administration awarded one of Sloan's firms the right to manage the \$120 million New Africa Opportunity Fund, the first U.S.-sponsored and federally guaranteed private investment fund ever targeted toward southern Africa. President Clinton himself singled out the fund during a 1998 visit to South Africa as a symbol of *masahkane* -- the act of building together. And the fund's most high-profile investment was Africa.com, which Sloan and others spoke grandly of making into "the AOL of Africa."

As the fax machine began to whirl that hot summer afternoon, however, there were a few things about Sloan that many at Africa.com didn't know. In November 1999, his firm had been fired from managing a portion of New York's \$115 billion Common Retirement Fund for state employees; the state comptroller cited "performance." Sloan had sold his beloved \$4 million corporate Beechjet 400A, a prized perk. In June, his wife of 28 years, Melva Sloan, had filed a bitter divorce action full of lurid accusations about his private life; she had taken over the couple's new \$1.6 million North Carolina mansion, and Maceo had moved to Washington. He also had just undergone a painful split with his longtime business partner and protigi, former Duke University football star Justin Beckett, an ambitious and passionate dreamer who had been Sloan's point man on Africa.com. Their rupture, in fact, came over allegations that Beckett had mismanaged the startup and other Africa fund investments. Investigators from the federal agency backing the fund had been poking around.

Even if the people cranking away in Africa.com's offices had known all of this, it could hardly have prepared them for the explosive fax. The fax came from Sloan's office. It was a blunt demand that certain Africa.com executives and directors surrender the right to equity they deeply believed was their due. And it set off a brutal boardroom battle that exposed a deep intergenerational rift between an old-school black businessman, who had built an empire based in part on minority set-asides, and a new generation of idealistic black entrepreneurs. No one escaped the crossfire: Sloan and his firm are out as manager of the New Africa Opportunity Fund. The executives who stood up to him -- people like Teresa Clarke, the Harvard- and Wall Street-trained CEO of Africa.com -- are all gone too. Africa.com's pulse is barely detectable.

People close to Sloan say he defends his actions and says he was betrayed by the alleged mismanagement and recklessness of Justin Beckett and others. Beckett, 37, declined to comment. But others involved in the events dispute Sloan's characterization of himself as an unwitting victim. Almost no one involved would be quoted by name, citing legal concerns. The following account is based on court documents, internal corporate memos, and interviews with many participants in the events.

As in many sad stories, the early chapters seemed full of promise -- and, looking back, portents of trouble. Sloan was the focal point of both. His personal history is in large measure a rousing parable of black business self-reliance and success. He grew up in Durham at a time of deeply entrenched racial barriers, but he was smart and driven. In 1973, he earned an MBA at Georgia State University -- the only black in his class.

Sloan went to work at Durham's historic North Carolina Mutual Life Insurance, the nation's first black-owned insurance firm, where his father was a senior executive. In 1991, Sloan got a \$7 million equity loan from an American Express subsidiary and bought North Carolina Mutual's money management arm, which he helped create. He renamed it NCM Capital Management. American Express got a 40 percent stake in NCM Capital, which Sloan folded into his newly formed holding company, Sloan Financial Group. Sloan took pride in headquartering his operations in downtown Durham's landmark Kress Building; as a kid, he, like other black citizens, hadn't been allowed to sit at the counter of the drugstore soda fountain there. Business boomed. Sloan's business model was to go after the largely untapped cascade of money that resulted from laws passed mainly during the 1980s requiring public, private, and union pension funds to set aside sizable chunks of their assets for minority-owned money management firms. Both Sloan and his partner Beckett -- whom Sloan had hired away from E.F. Hutton several years before -- are charismatic marketers. They're huge presences, literally: Beckett is 6 foot 3 and 270 pounds; Sloan is a broad-shouldered 6 foot 7. They landed billions of dollars of assets to manage for big pension funds and institutional investors coast-to-coast.

By 1997, Sloan's various businesses had about \$5 billion under management. He produced generally solid -- sometimes spectacular -- investment returns. He appeared frequently on PBS's Wall Street Week, and could count among his friends politicians as influential -- and disparate -- as activist minister Jesse Jackson and ultraconservative Senator Jesse Helms. ("My two Jesses," Sloan has been known to call them.) He became a player in Democratic political circles, contributing heavily to the party's national committee and to various campaigns. In the press, he talked of helping other minority entrepreneurs overcome the same racial obstacles that he had, and said he hoped to mint a whole new generation of young African-American millionaires. He said he'd give them a chance to earn equity in companies as he mentored them. He ultimately pulled down a seven-figure salary.

Life was good -- or so it seemed. Behind the scenes, cracks were appearing in the Sloan empire. A wireless communications venture Sloan put together was on its way to going broke (it filed for bankruptcy protection last year). Moreover, he was facing a mutiny at NCM Capital. It turns out that some of the people that Sloan had spoken of transforming into millionaires saw none of the equity he allegedly promised, according to a lawsuit filed in 1997 by three former Sloan executives. (The suit also alleges that Sloan was mismanaging NCM Capital by, among other things, using it to make millions of dollars of interest-free loans to some of his other ventures.)

Things came to a head in January when, according to the suit and to former executives, eight senior NCM Capital managers came up with a plan to take control of the firm. They wanted to buy out American Express's 40 percent stake by paying off the original loan that enabled Sloan to create his company, and perhaps even buy out Beckett and Sloan as well. But when the eight managers took their plan to Sloan, "he exploded," one of them recalls. Within weeks, Sloan fired four of the executives; the other four soon quit.

In court filings, Sloan and Beckett have denied any wrongdoing. Most of the claims in the suit have been dismissed, partly because a judge ruled the plaintiffs hadn't met certain legal requirements. But still pending is one of the central allegations: that Sloan and Beckett violated unfair trade practices laws in the way they dealt with their own executives and ran the company.

Some of the executives involved in the failed buyout remain bitter. "It was betrayal on so many levels," says one. "Maceo always preached that blacks should have an equal share, which was pretty strange, considering he never shared anything himself." (An associate says Sloan still intends to give equity to his employees, but hasn't been able to develop a workable plan.)

Sloan's wife, Melva, would later put it another way in her divorce papers, filed in county court in Durham: "Defendant considers people more like commodities than human beings. People who have outlived their usefulness to the Defendant fall to the wayside."

As the managers' revolt wound down, Sloan Financial Group's attention was turning increasingly toward Africa. In 1996, the U.S. Overseas Private Investment Corp., a government agency that provides federal loan guarantees to promote American private investment abroad, solicited bids for an investment fund for southern Africa. Few were surprised when the winner turned out to be Sloan and Beckett's proposal, which they called the New Africa Opportunity Fund. The two men, especially Beckett, had been active in Africa since the early 1990s, when they sensed opportunity in the anticipated end of apartheid-era sanctions. Sloan's political connections certainly didn't hurt their chances of landing the plum contract. The \$120 million fund's largest private investor was Sun America, with about \$10 million; Citibank anted up about \$8 million. Beckett took the lead in scoping out investments for the fund. "Justin had a real passion for investing in Africa," recalls one of his former executives. The play that got the most buzz was Africa.com. Oddly, it was relatively small potatoes -- the initial capital allotment for the investments that would lead to Africa.com, authorized by the fund in November 1999, was only \$10 million. But those were the days of moonshot IPOs, and to many observers, Africa.com seemed destined for greatness. The idea was to make it the dominant site for Africa-related content and e-commerce. Beckett became chairman and CEO.

He spent aggressively from the start. There was already a rudimentary site called Africa.com. Beckett paid about \$1.8 million to buy the website and the URL, according to Africa.com internal documents. He set up Africa.com's Johannesburg office in one of the priciest commercial districts in town. Groups of Africa.com managers traveled frequently between Johannesburg and North Carolina for meetings, often flying first class at \$6,000 per person, former managers say.

The company's head count ballooned. Soon, Africa.com had 58 employees -- a lot for a startup with only \$10 million in seed money. Some deals with e-commerce customers were in the works: There was a plan, for instance, for a service called Africacash that would enable wire transfers of cash anywhere on the African continent. But finalized deals were slow to materialize, and the startup continued to burn through money.

The heavy spending seemed reasonable at the time. "The idea was to do whatever it takes to go public in five minutes," says one former executive. The Nasdaq was surging, and a lot of dotcoms were trying the same thing. But there was a disquieting incestuousness to some of the spending. For instance, Beckett had set up a company called New Africa Finance Corp., which touted itself as "investment bankers to the African multinationals of the 21st century." According to Africa.com documents, New Africa Finance did consulting work for Africa.com, eventually charging the little startup at least \$1.3 million -- though Beckett himself was CEO of Africa.com at the time. New Africa Finance also got hundreds of thousands of dollars of fees from other entities in which the OPIC fund had invested. Those deals would come back to haunt Beckett -- and Africa.com.

By last May, Africa.com had already gobbled up more than half of its \$10 million grubstake, former executives say. There wasn't much to show for it; after five months of work, the Africa.com homepage still featured the same mud huts and stylized elephants that had been there since Beckett bought it. Beyond that, word began to filter back from Africa about some of Beckett's New Africa Finance deals. Ultimately, questions about what was happening at Africa.com and in the fund's other investments reached Sloan. On June 7, at a meeting of the investment committee, Sloan confronted Beckett.

"You are a thief, and you could be going to jail," Sloan snapped at his protégé, according to a witness. Beckett fought back: "If I go down, I'm taking you with me." The sight of the two big men, once almost as close as father and son, going at one another stunned some investment committee members, and a few left the room. One went into a rest room and threw up.

Another person who was at the meeting says that it was heated and that the possibility of criminal charges was discussed, but denies that Sloan called Beckett a thief. Through a spokesman, Sloan says he knew virtually nothing about the operations of the companies the fund invested in, and had no "direct ownership position or operating responsibility" in any of them. Beckett, as Sloan's long-trusted partner, was given total authority to manage the fund, Sloan associates say. Still, Sloan controlled the company that controlled the fund's managing partnership; he also sat on the fund's investment committee. Some who know both men say that even before the troubles in the Africa investments began bubbling to the surface, the relationship between Sloan and Beckett was fraying: Beckett was growing weary of the long years spent in his mentor's shadow, while Sloan was irked that Beckett seemed to be angling for an increasingly large share of the pie.

Whatever the case, after the June 7 showdown, Sloan resolved to bring Beckett down -- and he would look to Africa.com for some of the ammunition needed to do it. At the time, however, few at Africa.com had much sense of the trouble brewing. Though the startup had been devouring cash, by midsummer it was finally showing signs of life. For one thing, it was the biggest draw in the black corporate world. "We got the CVs of every hotshot African or African-American Internet and management professional," recalls one former manager. "It's the definitive name: Africa.com. It conjures up taking Africa into the next millennium." Teresa Clarke, a 38-year-old former Goldman Sachs vice president with three Harvard degrees and five years of business experience in Africa, had joined Africa.com in April. Clarke had also been on the OPIC fund's investment committee. She recruited Dena Williams, a veteran executive at one of America's largest credit-card marketing firms and most recently a top executive with South Africa's largest bank. LaSean Smith, a former Motorola engineer, signed on as the group's technology ace. Terrence Taylor, a Sierra Leone-born Harvard MBA and Citigroup emerging markets veteran, became director of business development.

Even when Sloan sent in his team of auditors toward the end of June, most of the Africa.commers weren't particularly alarmed. They were frantically putting the finishing touches on a months-long redesign of the website. It went live on July 3, full of fresh high-tech imagery; the mud huts were gone forever. "When we launched it, it just jumped out at you and symbolized this new forward-thinking, productive Africa," says a former manager. "We were euphoric."

The feeling didn't last. On July 14, the auditors sent their initial findings to Sloan. They identified numerous deals in which Beckett's New Africa Finance may have violated rules about arms-length transactions and other restrictions on how OPIC fund money can be invested. The audit cited an April 28 payment from Africa.com to New Africa Finance of \$850,201 in which Beckett -- as CEO of Africa.com, director and co-founder of New Africa Finance, and a principal in the OPIC fund that was the ultimate source of the cash -- was on all sides of the transaction, raising questions about conflicts. They also found two invoices covering the payment. One listed Beckett as the recipient of \$450,000. The other didn't list Beckett at all.

Beckett's defenders dispute the characterization of some of the deals cited in the audit. They say that, while he was a lousy manager when it came to details, he wasn't crooked. In any event, Beckett resigned on July 18, ending a 14-year run with Sloan.

Sloan and the investors turned to Clarke, then Africa.com's president, to pick up the pieces. Clarke had a passion for the concept of Africa.com, and a very clear idea of what to do about it. Named CEO on July 24, she immediately began firing people to conserve cash, but she also continued to recruit new talent. She jump-started talks with potential e-commerce allies. The team celebrated the recent website launch -- and closed ranks after Beckett's departure -- at a corporate retreat. It was decidedly frugal: They went by bus to a Holiday Inn, where they stayed two to a room. One of the team's African members traded in his suit for his traditional Ethiopian robes, and mesmerized the group with a passionate speech on how they could still save the dream.

By now, Africa.com had blown through about \$7 million of its original \$10 million. Clarke knew that to keep her charged-up team of young pros together, she needed to cut them in on equity. Several had been promised Africa.com options when they signed up. A long trail of e-mail and faxes shows that, by late July, Clarke had been working for weeks with Sloan and the investment committee on a stock-option plan. But Sloan was reluctant; at one point, according to former Africa.com managers, Sloan testily told Clarke: "You're giving away the equity." Still, Clarke and her managers figured he would relent eventually; they thought he'd have to.

He didn't. Clarke, believing the investment committee had authorized her plan, even announced it to some of her executives. But Sloan ordered her to rescind it, former executives say. They say Clarke and her managers were furious. Sloan associates say he wasn't interested in awarding options to people, including Clarke, whom he was coming to regard as tainted by their past association with Beckett -- and whose ability to run Africa.com he increasingly questioned.

Even as rancor between Sloan and the Africa.com team was rising, Sloan was facing pressure on other business fronts, and in his personal life. His divorce case was becoming even more painful. Melva Sloan was going after more than half of everything Sloan had, plus alimony. On July 18, the very day Beckett resigned, Sloan filed his counterclaim in the divorce case. He denied all of his wife's charges (except one instance of adultery, which he said his wife "condoned") and argued that her reckless spending on the new Durham mansion had overextended them financially, his declared 1999 income of about \$1.8 million notwithstanding. Personal financial records in the divorce case show that Sloan owed some \$10.9 million to his holding company, Sloan Financial. He also had a \$1.5 million mortgage on the mansion.

Moreover, Sloan was having trouble with a second, and larger, Africa-related OPIC fund, people familiar with the matter say. In 1999, Sloan's firms had won the bidding to lead the \$350 million New Africa Infrastructure Fund. But as the summer wore on, lining up the private money to meet the fund's requirements had been going more slowly than expected, raising the prospect that Sloan could lose control of that fund. Such was the backdrop when the Aug. 17 fax arrived at Africa.com. In it, and others like it sent to executives and directors elsewhere, Sloan demanded that they give up their right to Beckett's stake in the fund's managing partnership. The rules governing the partnership called for Beckett's interest to be reallocated among several people, including Clarke and a few other members of the Africa.com team. Sloan, people close to him say, emphatically insists that he only wanted to free up the Beckett interest so he could use it to entice a replacement for his former protégé; Sloan confidantes also say that several of the people who got the fax had previously agreed to the proposal. But by the time the fax arrived, Clarke and the others had come to believe that Sloan was cutting them out of the Beckett interest for his own financial gain.

None of the people who got the faxes agreed to the proposal. The next day, there was a message waiting for some of them when they arrived at their offices, according to people familiar with the events. They were to agree in writing by 9:00 a.m., or Sloan's lawyers would be "instructed to take another course of action." Nobody signed, and the course of action that Sloan had in mind became clear: One of his attorneys began faxing out letters of termination. Clarke's came in at 9:26 a.m. Africa.com's board refused to go along with Sloan's firing of Clarke. So, people close to Africa.com say, he fired the board, installing a new one more willing to do his bidding.

Within days, however, a counterattack was in motion. Clarke and some of the others who got the faxes gathered in New York. None will discuss exactly what they did; some people familiar with the matter say they contacted some of the fund's big investors and OPIC, complaining about Sloan's actions. OPIC, meanwhile, had been conducting its own investigation of events at Africa.com and the New Africa Opportunity Fund. At a meeting in early September, according to people familiar with events, the tables swiftly turned: Some investors thought Sloan should also bear some of the responsibility for the mess in the fund's portfolio. Facing sharp opposition from at least some of the big investors, including Citibank, Sloan resigned. His firm no longer has any role in running the fund.

The new manager of the New Africa Opportunity Fund is Zephyr Management. It is a respected, well-established money management firm. But it is not black-owned.

"Africa.com represented this new age for Africa and for young African-American professionals," says a former executive at Africa.com. "And Sloan has handed it all to the white institutions on a silver platter. That is the biggest tragedy of this story."

It is mid-October, and the Chapel Hill office is locked up and deserted. The Africa.com sign is still there, but the desks and the banks of computers have been cleared out. The 8-foot color wall map of Africa that used to stand tall and proud behind the receptionist's desk is history. The website itself seems remarkably unchanged since the euphoric launch July 3. It is being kept on life support by a skeleton crew.

Zephyr won't discuss its plans for Africa.com, but is known to be considering selling it. Just a few months ago, a Silicon Valley venture capitalist told Clarke he thought Africa.com could sell itself for \$50 million. Most observers don't think it's worth more than a million now, given its comatose state and the deflated dotcom environment.

Most of the young black professionals drawn to the crusade have scattered, some looking for work, some contemplating lawsuits, some just decompressing. Their disillusionment is profound, and it's only deepened by their belief that their beautiful vision of a black-controlled enterprise doing righteous work in Africa was betrayed by a single man -- a black man. "Maceo Sloan is like a lot of black businessmen of his generation, in that they screw black people more than anyone else by the way they operate," one former Africa.com manager says bitterly.

As for Sloan, a confidante says he feels that characterization is absurd, and that he has in fact helped create numerous minority millionaires over the years (one of them being Justin Beckett, who apparently was paid \$2.9 million for his holdings in Sloan's company). Sloan associates say he is likely to withdraw from leading the management of the second OPIC fund as well, and that he wants to focus on his domestic operations.

At press time, OPIC was still reviewing his firm's performance as manager of the New Africa Opportunity Fund, trying to find out if any laws were broken. But Sloan's companies still manage billions for some of the most prestigious clients in the country: Dreyfus, Calvert, the California State Teachers Retirement Board pension fund. Not all of it is minority set-aside money either; the California teachers fund hired Sloan's NCM Capital in December 1998, after the state did away with minority preferences in state contracts. A teachers fund spokesman says NCM Capital has generated a 27.4 percent return on the teachers' money. Sloan is still chairman of Jesse Jackson's Wall Street Project, an ambitious effort to increase the number of blacks in top corporate management.

Harold Doley, who in the mid-1970s became the first black to buy a seat on the New York Stock Exchange, has known Sloan for decades, and figures he knows what's in store for him. "Maceo has been an entrepreneur," Doley says. "He's an MBA. He's a lawyer. He's a CPA. But most importantly, he is a survivor. And Maceo will survive."