

Weekly Financial Report with Scott Roulston

October 25, 2002

Scott Roulston, CEO of Fairport Asset Management, discusses the legacy of Al Lerner at MBNA, the loss of Dr. Huntington Willard as Director of the Research Institute at University Hospitals, and the endorsements announced for candidates seeking to become Ohio's next Governor.

April Baer – Analysts say there may be some doubts lingering out there about the market's long-term recovery. The DOW Jones Industrial Average fell 177 points or 2.1% to close at 8317. Economists are looking for slight increases in consumer confidence today, as the University of Michigan releases its index. That report comes out at 9:45 a.m. Scott Roulston of Fairport Asset Management joins us on Fridays to talk about the business news of the week. Scott, good morning.

Scott Roulston – Good morning, April.

April Baer – If we could, let's leave the markets alone for today and just talk about some things that have been happening locally. A giant in the world of finance passed away as Shaker Heights resident Al Lerner died this week. Scott, we know about the big role he had in the sports life in the city as the owner of the Cleveland Browns, but what did Al Lerner do with his primary business, MBNA, which had not been done before in the lending industry?

Scott Roulston – MBNA is a great success story. In one or two words, "affinity marketing". They did something with their credit cards that really nobody else did at that time - that was to affiliate with all sorts of organizations and professionals, trade organizations, alumni groups, sports teams in the NFL. They hooked up and sold their credit cards through these affinity organizations. By the time the other big credit card issuers figured it out, MBNA really owned the market.

The second thing that he did was to hire really good people. Charlie Cauley, who is the CEO out there, was really running the business. Al Lerner was more Chairman than a hands-on CEO. So he had really good people.

A third thing is they had a state-of-the-art Bond trading and securitization company out there. So they knew what to do with the obligations of MBNA, once they had them.

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April Baer – Who do you think is going to lead the company now that Al Lerner is gone?

Scott Roulston – Oh, Charlie Cauley, no doubt about it. He's really been running the company for the last several years and has built it up.

April Baer – Also this week, Case Western Reserve University took a hit, losing its Director of the Research Institute at University Hospitals – a much-respected guy, Dr. Huntington Willard. He's taking a job at Duke University to direct its Institute of Genome Sciences and Policy. At a time when Cleveland is trying to build biotech, how big a loss is that?

Scott Roulston – Hunt Willard's departure is a big loss and it raises some issues, which we should naturally be asking ourselves. Are we at risk with Athersys, which is a company that he was affiliated with? I think that answer is no, but who else will be following him out the door? I don't think we know that yet. Who will replace him and when? But you know, April, the way you asked that question, I think a lot of us asked. It kind of brings up another question, which is how much of our reaction is really a kind of typical Cleveland inferiority complex? I'll use that term. You know, the fact of the matter is that this was a great opportunity for Hunt Willard at Duke. We should be happy for him and a lot of communities would really look at it that way and be proud of what he accomplished in the short time he was here. Frankly, we should be flattered that Duke thought so highly of him, that they reached out and brought him in. I think we'll be fine getting through this.

April Baer – This week's Crain's Cleveland endorsed Tim Hagan, the Democratic candidate for Governor! This is a bit of a break with the typical conventional wisdom, we would say, that business publications support Republicans only. What do you make of this?

Scott Roulston – Well, I guess sarcastically I could say "Does anybody care?" Not so much about Crain's, but about the Governor's race. But seriously, it was kind of curious that Crain's, a Cleveland business publication, was unanimous. I think Mark Dodosh said on the air on WCPN that all three of their editorial board members voted for Hagan. You know, the Wall Street Journal rated all of the Governors and only 4 of 50 graded out "F". Bob Taft was one and Gray Davis was another. You know, I think there is a feeling in the business community that he just hasn't dealt with the tough issues, but they want to be supportive of him. You

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know, the business community looks at Bob Taft and sees a nice guy and an honest guy, but they contrast him with George Voinovich, who really reached out well with the business community and he was from Cleveland and Taft is not. But I would hardly call Tim Hagan pro-business. So I think some in the Republican party are saying hey, Crain's shouldn't have endorsed anyone. But it was a curious situation.

April Baer – Okay, let's drop the politics and talk about something fun before we go. Have you picked out your Halloween costume for next weekend?

Scott Roulston – Ummm, trick or treating? Yeah, I was going to dress as a chart of the 2002 stock market..

April Baer – Oh, no, that's *too* scary!

Scott Roulston – Too scary, that's right. (laughter)

April Baer – Scott, thanks a lot.

Scott Roulston – Have a great weekend.

April Baer – Scott Roulston of Fairport Asset Management joins us every Friday to assess the business news of the week. You're listening to 90.3 FM.