

# Focus on Financial Services

An Interview with Donald B. Marron,  
Chairman and Chief Executive Officer, Lightyear Capital LLC

**EDITORS' NOTE** A prominent figure in the financial services industry, Donald Marron served as Chairman and CEO of the PaineWebber Group Inc. for 20 years until its November 2000 merger with UBS AG. He had come to PaineWebber as a result of a merger he led between the firm and Mitchell Hutchins & Co., Inc., a leading institutional brokerage firm at which he served as Chairman and CEO. Immediately following the PaineWebber-UBS merger, Marron and his partners



Donald B. Marron

formed the buyout firm Lightyear Capital LLC to further focus on the financial services industry. On a separate track, Marron cofounded Data Resources Inc. in 1969, with Harvard economist Dr. Otto Eckstein. The company became the largest nongovernmental source of economic data on computers in the world and was purchased by The McGraw-Hill Companies in 1979. Marron is a member of the Council on Foreign Relations, a trustee of the Center for Strategic and International Studies, a member of Memorial Sloan-Kettering Cancer Center's board of overseers and managers, a member of the board of trustees of New York University, the Chairman Emeritus of the Center for the Study of the Presidency, and a trustee and President Emeritus of the Museum of Modern Art.

**COMPANY BRIEF** New York-based private equity investment firm Lightyear Capital LLC ([www.lycap.com](http://www.lycap.com)) specializes in the financial services industry, providing buyout and growth capital primarily to companies with equity investments up to \$150 million. Lightyear's senior management team brings extensive experience from the financial services industry to portfolio companies, offering expertise in strategic management and capital structure formation and an established network of relationships and contacts. The firm, through its affiliated investment funds, has managed approximately \$3 billion of committed capital.

**How much has the volatility in the financial services sector affected the business? Do you see that as an opportunity?**

The financial services business is the only truly global industry, because money finds a way to go across borders the way no other commodity does. So there is always activity.

The credit crisis has affected a wide range of companies, not just in the United States, but also in the rest of the world. But at the same time, it has created opportunities, and these fall into three broad categories: first, there are good-quality companies; next, there are distressed businesses – a highly specialized area; and finally there are opportunities in start-ups. Each category presents its own challenge. The good-quality companies, while affected by the credit crisis, have not seen their valuations come down

dramatically in most cases. The distressed businesses are particularly challenging, because it is very difficult to know what you're buying. And finally, in the start-ups arena, there are a lot of very talented people who want to start fresh in some of the businesses like mortgages and midmarket lending, because the markets are very attractive right now and a new company without legacy problems can have a competitive advantage.

**In terms of opportunities for Lightyear, what are the key characteristics you look for in companies? Do you start with the management team?**

Yes, we start with management. Given the climate in the past year, we look to see how the company's management has performed. Then we look more closely at what it is about the company and the management team that can leverage a business in this climate. This is a time in which a few companies are going to do well. In financial services, we have to look very carefully at what we're buying. We all know there have been a lot of surprises in this business, so it is very important that we do our homework.

**Many people are talking about New York losing its position as the financial capital of the world. Do you see that happening?**

The financial industry is changing dramatically. We have exported capitalism and markets to the rest of the world. We haven't lost market share so much as the rest of the world is creating more opportunities – two examples are London and Shanghai. It's very important that we stay in first place, which I believe is where we are now. That requires a combination of talent, which we have a great deal of; a number of significant organizations; and also the energy

of the city. Mayor Michael Bloomberg has ensured a favorable climate for the financial services industry, and the industry continues to attract talented individuals to the area. So I feel very confident that New York will remain the financial center of the world.

**With regard to the issues around New York, how critical is a public/private partnership?**

It's very important. First of all, virtually all financial services businesses are regulated, so you have a regulatory government environment, regulated not by New York but by state and federal agencies. Also, this is the center for talent and resources, so how people feel about living and working in New York is crucial. The Mayor has done a lot to encourage a feeling of being a part of the community. As I mentioned earlier, the climate is very favorable; people want to be here.

**Do you feel the Fed has been effective with regard to regulation? How much regulation do we really need?**

The regulators are moving in quickly to make sure that the problems with credit don't turn into a crisis – that is one of their roles. We hope it's a role that they have to play only rarely. Derivatives pose one of the broadest issues regulators must deal with. I think the Fed is thinking about these situations and should come up with a logical solution. We don't want a lot more regulation, but we do want more transparency. It's clear that the markets need to know more about what all these securities are and what the organizations that deal in them are.

**You have always been focused on corporate responsibility and citizenship. How critical is that for leaders today?**

If you're fortunate enough to be in the position of being in a great city and doing interesting things with a lot of resources, it's important to be involved in the major issues in the community. For example, there are the things that the Partnership for New York City does that are important regarding how you run the city and how you make it a better place for business and its environment. Then there are hospitals and museums. And there is the continuing issue of people in need. I'm very involved with the Coalition for the Homeless. There are 15,000 homeless children in New York at the moment, and they need help. ●