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About time: Cuomo finally sues Steve Rattner

Posted by [Dan Primack](#)
November 18, 2010 10:21 am



It seems that Andrew Cuomo has a wonderful sense of theater.

On the very day that Steve Rattner is all over cable news to discuss GM's (**GM**) return to the public markets, he has (finally) been sued by the Governor-in-waiting for his alleged role in the New York public pension kickback scandal.

There actually are three separate actions, with the first two seeking to recover a total of \$26 million from the former car czar. The third seeks to permanently ban him from the securities industry.

"Steve Rattner was willing to do whatever it took to get his hands on pension fund money including paying kickbacks, orchestrating a movie deal, and funneling campaign contributions," Cuomo said in a statement. "Through these lawsuits, we will recover his ill gotten gains and hold Rattner accountable."

The SEC also has filed suit ([here's a copy](#)), and disclosed details of a previously-reported settlement. It says that Rattner has agreed to pay a \$6.2 million penalty, and accept a two-year ban from "associating with any investment adviser or broker-dealer."

Got to wonder how that last part will square with his role in the firm that manages the fortune of Rattner friend/apologist Mike Bloomberg... Yes the firm is (intentionally?) structured as an asset manager instead of a broker-dealer, but doesn't the Mayor at some point have a responsibility to speak out against public corruption. I've put in a call to Bloomberg's office, but have not yet received comment.

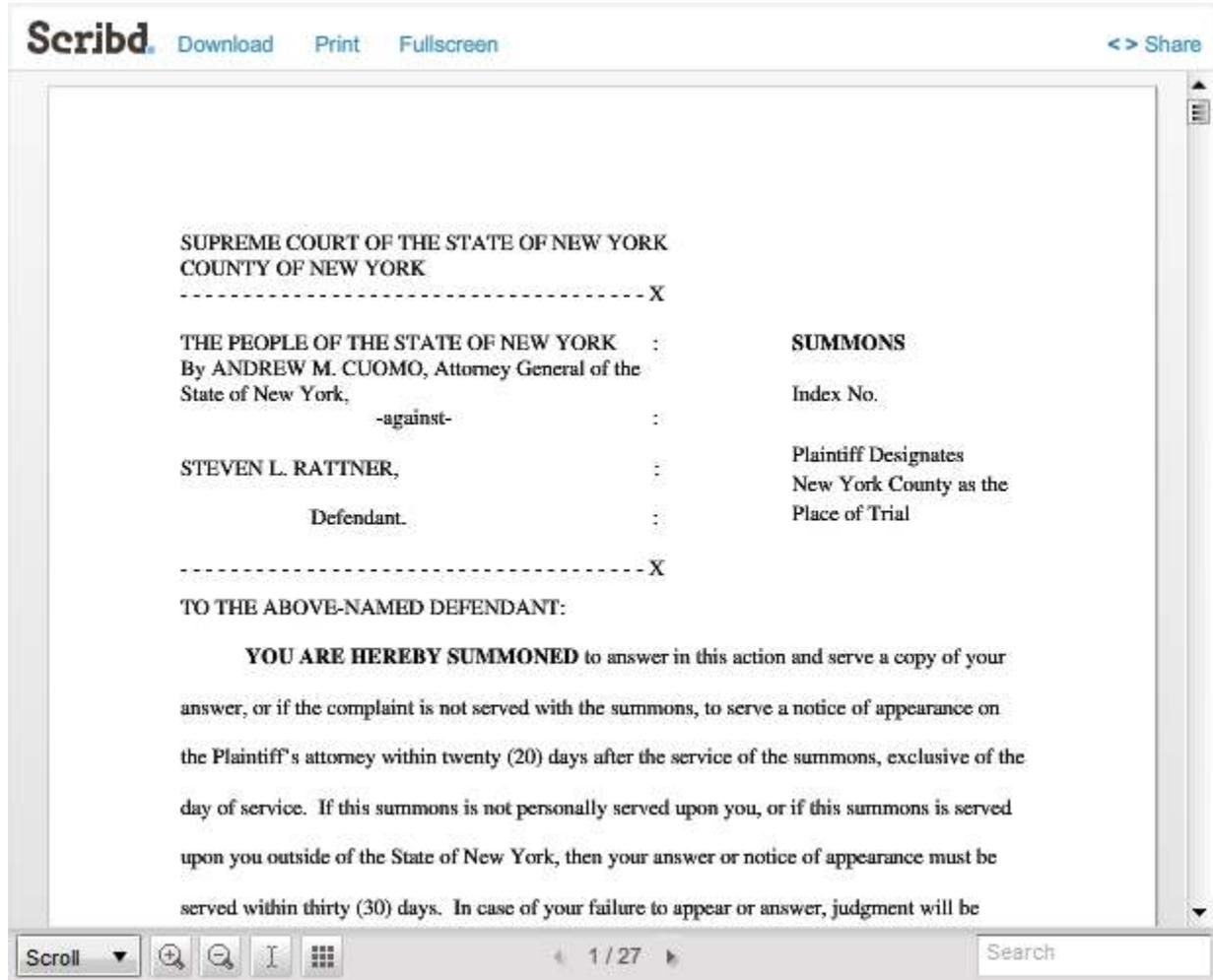
If you haven't been following the case for the past two years, here is a quick rundown of Rattner's alleged actions (note: I'm cribbing this from an earlier post, because there are only so many times you can write the same thing without going mad):

- Rattner secured a video distribution deal for the brother of New York pension fund CIO David Loglisci, via a (now defunct) Quadrangle portfolio company. The deal was done over the initial objections of portfolio company management. Not only does this indicate pay-to-play, it also would seem to mean that Rattner violated his fiduciary obligations to Quadrangle limited partners (not letter of obligations, but spirit).
- Rattner also helped connect Logiscli's brother with people at film channel IFC, in which Quadrangle was an investor.
- Presumably at Loglisci's suggestion, Rattner secretly hired Hank Morris as a "placement agent," in order to secure a \$100 million fund commitment for Quadrangle from the New York State Common Retirement Fund (it was later increased to \$150m). This came after Quadrangle's legitimate placement agents had only been able to secure between \$25 million and \$50 million. Morris got Quadrangle the money without ever setting up or attending any meetings with CRF on Quadrangle's behalf.
- Morris also helped get Quadrangle \$75 million from New York City pension systems, via a third-party who since has pled guilty to securities fraud.
- One of Loglisci's brothers put Rattner in touch with potential investors on the West Coast. These included Elliott Broidy, who sat on the board of the Los Angeles Fire & Police Pension Fund. LAFPPF committed \$10 million to Quadrangle, and Broidy has since pled guilty to felony charges of rewarding official misconduct.
- In 2006, Morris allegedly asked Rattner for a contribution to the reelection campaign of State Comptroller Alan Hevesi (Loglisci's boss, who last week pled guilty to fraud). Rattner demurred, saying that he had a policy against making contributions to public officials with oversight over investments, Morris suggested that Rattner contribute the money via a third party. Soon after, Rattner tapped a Democratic donor who subsequently contributed

approximately \$25k to Hevesi (plus another \$25k from the donor's wife). That donor has not been identified, but a source tells me that he was unaware of backroom shenanigans.

Quadrangle cooperated with Cuomo almost immediately, but spent months in limbo as its former partner refused to settle. Cuomo finally let Quadrangle act independently, after it agreed to repay \$12 million (inclusive of a related settlement with the SEC), agree to a "code of conduct" and issue a blistering statement against Rattner. The private equity firm has since begun to regroup, although it has not yet been able to raise a new fund.

Here is a copy of the summons and complaint from Cuomo:



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