

SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF NEW YORK

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THE PEOPLE OF THE STATE OF NEW YORK,  
by ANDREW M. CUOMO, Attorney General of the State  
of New York,

Plaintiff,

-against-

STEVEN L. RATTNER,

Defendant.  
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**AFFIRMATION IN  
SUPPORT OF AN  
APPLICATION FOR A  
PERMANENT  
INJUNCTION**

Index No. 451435/2010

EMILY BRADFORD, an attorney duly admitted to practice in the courts of the State of New York, affirms the following under penalty of perjury:

1. I am an Assistant Attorney General in the office of Andrew M. Cuomo, Attorney General of the State of New York, assigned to the Public Integrity Bureau. I make this affirmation in support of this motion by order to show cause filed November 18, 2010, for a permanent injunction pursuant to General Business Law § 353 seeking to:

(i) permanently enjoin the defendant from selling or offering for sale to the public within this state, as principal, broker or agent, or otherwise, any securities issued or to be issued, and from any employment, consultation, or unpaid service as an investment manager or advisor, and from serving as a general partner, managing partner, officer, or director of any investment fund, or otherwise managing the investments of others;

(ii) permanently enjoin the defendant from engaging in fraudulent practices in violation of Article 23-A of the General Business Law; and

(iii) granting such other and further relief as the Court deems just and proper.

2. I am familiar with the facts and circumstances of this proceeding. The facts are set forth in greater detail in the Complaint filed in New York State Supreme Court on November 18, 2010, a true and correct copy of which is attached hereto as Exhibit A (the “Complaint”). The following is based upon information and belief.

### **PARTIES**

3. Plaintiff is the People of the State of New York, by their attorney, Andrew M. Cuomo, Attorney General of the State of New York (the “Attorney General”).

4. Defendant is Steven L. Rattner (“Rattner”), former founding principal of private equity firm Quadrangle Group, LLC (“Quadrangle”).

### **FACTS**

#### **Procedural History**

5. The People commenced this action pursuant to the Martin Act and the Executive Law, including the Tweed Law, through the Complaint. The Complaint arises from an ongoing Martin Act investigation (the “Investigation”) in which I have participated as an Assistant Attorney General and with which I am familiar. The Investigation concerns transactions involving the Office of the New York State Comptroller (the “OSC”) and the New York State Common Retirement Fund (the “CRF,” the “Fund” or the “State pension fund”), of which the Comptroller is the sole trustee. The charges stemming from the Investigation to date allege a complex criminal scheme involving numerous individuals operating at the highest political and governmental levels under former Comptroller Alan Hevesi (“Hevesi”).

6. In March 2009, a grand jury returned an indictment (the “Indictment,” attached hereto as Exhibit D) of Henry “Hank” Morris (“Morris”), the chief political adviser and campaign manager to Hevesi, and David Loglisci (“Loglisci”), the CRF’s Director of Alternative

Investments and then Chief Investment Officer during the Hevesi administration. Loglisci pled guilty to a Martin Act felony in March 2010 in satisfaction of the Indictment. In July 2010, New York State Supreme Court Justice Lewis Bart Stone sustained 77 counts in the Indictment charged against Morris, including Counts 45, 46 and 47 charging violations of the Martin Act, General Business Law §§352-c(6), 352-c(1) and c(4), and 352-c(2) and c(4) respectively. See Exhibit E, Decision and Order, *People of the State of New York v. Henry Hank Morris*, Ind. No. 0025/09 (the “Opinion”) at p. 83. Counts 45, 46 and 47 pertain to alleged securities fraud engaged in by Morris in relation to his obtaining a placement agent agreement and fees related to the CRF investment in Quadrangle Capital Partners II (“QCPII”). See Indictment at pp. 84-86. As described herein and alleged in further detail in the Complaint, these fees obtained by Morris constituted kickbacks that Rattner, while a principal of Quadrangle, caused Quadrangle to pay Morris in order to influence Hevesi and Loglisci and to secure a CRF investment in QCPII.

7. The Investigation to date has resulted in seven guilty pleas, as well as agreements with sixteen firms and three individuals. Five of these guilty pleas were to securities fraud crimes pursuant to the Martin Act.

### **Defendant Rattner Engaged in Fraudulent Practices**

8. As alleged in the Complaint, defendant Steven L. Rattner engaged in fraudulent practices in violation of Article 23-A of the New York General Business Law (the “Martin Act”). (Complaint at ¶ 92.) As detailed more fully in the Complaint, the People seek over \$13 million in civil recoveries, millions of dollars in future fees and profits, as well as additional remedies including injunctive relief. (Complaint at ¶ 91-100.) Specifically, the Complaint alleges that Rattner, while a principal of Quadrangle, caused Quadrangle to pay Morris, then-Comptroller Alan Hevesi’s paid political advisor and campaign manager, sham placement fees amounting to

kickbacks, in order to influence investment decisions by Hevesi and then-Chief Investment Officer Loglisci with respect to QCPII. (Complaint at ¶ 2–3, 53-60.)

9. The Complaint alleges that in a further effort to influence Loglisci and at Morris’s request, Rattner arranged a DVD distribution deal for a movie, “Chooch,” produced by Loglisci’s brother, through a Quadrangle portfolio company. (Complaint at ¶ 2-3, 36-52.)

10. The Complaint also alleges that in a further effort to influence and reward Morris and Hevesi, Rattner arranged for third parties to contribute at least \$50,000 to Hevesi’s re-election campaign and that Rattner arranged these contributions from third parties to avoid having his name appear in public donor records, thereby concealing his responsibility for the contributions. (Complaint at ¶ 2-3, 79-81.)

11. As set forth in the Complaint, Rattner concealed and failed to disclose to the consultants and investment staff who recommended the CRF’s investment in QCPII that he had paid kickbacks to and at the direction of Morris. (Complaint at ¶ 61 – 66.) The Complaint further alleges that Rattner also filed and caused Quadrangle to file false disclosure statements with the CRF. As set forth in the Complaint, the concealed and undisclosed kickbacks were material to the CRF’s decision to invest in QCPII. (Complaint at ¶ 67 – 71.)

12. As alleged in the Complaint, Rattner’s concealment and failure to disclose the kickbacks he had paid to and at the direction of Morris constituted fraudulent practices under the Martin Act, and specifically constituted violations of General Business Law § 352 et seq. (Complaint at ¶91-94, 97-98.)

### **Defendant Rattner Refused to Answer Material Questions**

13. In connection with the People’s investigation into the above-referenced allegations, on August 17, 2010, Rattner was served with a subpoena for his testimony (the

“Subpoena”), a true and correct copy of which is attached hereto as Exhibit B. The Subpoena commanded that Rattner appear to testify and further stated that the Attorney General deemed Rattner’s testimony relevant and material to an investigation and inquiry undertaken in the public interest.

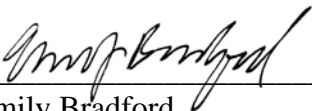
14. On September 16, 2010, Rattner appeared at the offices of the Attorney General, 120 Broadway, New York, New York for testimony in the Attorney General’s investigation. Rattner was duly sworn by a Notary Public within and for the State of New York, but he refused to answer 68 material questions relevant to the Attorney General’s inquiry, in that he declined to answer and exercised his Fifth Amendment rights. See Exhibit C, a true and correct copy of the transcript of Steven Rattner’s testimony dated September 16, 2010.

15. As a result of defendant Rattner’s refusal to answer any and all material questions relevant to the Attorney General’s inquiry, the People have established a prima facie case that defendant Rattner has engaged in fraudulent practices in connection with the offering and sale of securities as set forth herein and in the Complaint. The Martin Act provides that a refusal to answer material questions such as those put forth in the questioning of defendant Rattner constitutes prima facie proof that the defendant engaged in fraudulent securities practices and that the Court may issue a permanent injunction without any further showing by the Attorney General. General Business Law §353(1).

16. In accordance with CPLR Rule 2217(b), I affirm that the Attorney General has not previously requested the relief sought by this motion.

WHEREFORE, it is respectfully submitted that the Court grant the relief requested herein in all respects, together with such other and further relief as this Court deems just and proper.

Dated: New York, New York  
November 18, 2010

  
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Emily Bradford  
Assistant Attorney General