NEW YORK CITY CRIMINAL COURT
NEW YORK COUNTY
- X

THE PEOPLE OF THE STATE OF NEW YORK	:	FELONY COMPLAINT
-against-	:	Special Counsel Linda A. Lacewell
SAUL M. MEYER,	:	212-416-6199
Defendant.	:	

- X

STATE OF NEW YORK)
) ss:
COUNTY OF NEW YORK)

INVESTIGATOR GERARD J. MATHESON, SHIELD #130, of the Office of the Attorney General of the State of New York, located at 120 Broadway, New York, New York, deposes and states the following:

From in or about January 2003 through in or about December 2006, in the County of New York and elsewhere, the defendant committed the offense of:

VIOLATION OF SECTION 352-C(6) OF THE GENERAL BUSINESS LAW, the Martin Act, a Class E Felony, in that the defendant, along with his agents, accomplices, and coconspirators, intentionally engaged in fraud, deception, concealment, suppression, false pretense and fictitious and pretended purchase and sale, and made material false representations and statements with intent to deceive and defraud, while engaged in inducing and promoting the exchange, sale, negotiation and purchase within and from New York of securities, to wit: CRF investments in a fund managed by Aldus, the Aldus/NY Emerging Fund, and thereby wrongfully obtained property with a value in excess of two hundred and fifty dollars, to wit: a mandate to establish, and investments in, a fund of funds, and related fees.

OVERVIEW OF THE SCHEME

1. This complaint arises from a two-year, ongoing investigation with respect to 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 OSC and the CRF maintain offices in New York County.

2. The defendant Saul M. Meyer ("Meyer" or "the defendant") is a founding partner of Aldus Equity ("Aldus"),[1] a private equity services firm formed in 2003 and headquartered in Dallas, Texas. Aldus serves as an outside consultant advising numerous public pension funds across the United States, including the CRF, making Aldus a fiduciary towards these funds. Among other things, Aldus vets proposed investments for public pension funds.

3. Henry "Hank" Morris ("Morris") was the chief political adviser to Alan Hevesi, the New York State Comptroller from 2003 through 2006. David Loglisci ("Loglisci") was the head of Alternative Investments and then the Chief Investment Officer for the CRF during the same time period. Morris and Loglisci are separately charged under New York County Indictment No. 25/2009 pending in Supreme Court Part

[1] In this document, "Aldus" refers as appropriate to Renaissance Private Equity Partners, LP, doing business as Aldus Equity Partners, LP, and Aldus Management Company, LLC.

39, charging them with multiple offenses, including with respect to the CRF investment transaction in the Aldus/NY Emerging Fund described below.[2]

4. As described below, in 2003 and 2004, the CRF was considering establishing an emerging managers fund which would invest principally in minority-owned and women-owned funds. The leading candidate in 2003 and early 2004 was itself a minority-owned firm ("Fund A"). However, Fund A refused to pay fees to Morris and an associate, and Loglisci then rejected Fund A. Subsequently, Morris sent word through another associate that he could secure the emerging managers mandate for Aldus if the defendant would agree to pay fees to Morris and that associate under an arrangement similar to that rejected by Fund A. The defendant agreed to do so, and he obtained the mandate, which became known as Aldus/NY Emerging Fund. That fund, which was originally $175 million in size, now stands at nearly half a billion dollars in capital commitments from CRF. The arrangement between the defendant and Morris generated over $300,000 in ill-gotten gains for Morris, which Morris shared with his associate, as the defendant knew and agreed. The defendant, together with Morris and Loglisci, concealed this arrangement from CRF.

5. Moreover, the defendant sought a $200 million increase in the original size of CRF's capital commitment to the Aldus/NY Emerging Fund at the same time that the defendant was helping a son of the New York State Comptroller place an investment of $25 million at a public pension fund in New Mexico. Aldus was an adviser to that New Mexico pension fund, and recommended that the deal go through. In the end, the defendant obtained the increase in commitment to the Aldus/NY Emerging Fund, and the

[2] The indictment against Morris and Loglisci includes allegations about the Aldus/NY Emerging Fund at pages 21-23 (Criminal Acts 7-9) and 65-68 (Counts 14-18).

Comptroller's son obtained the commitment from the public pension fund in New Mexico, earning him $250,000 in fees. Meyer's activities on behalf of the Comptroller's son were not disclosed to CRF.

FACTUAL ALLEGATIONS

Sources of Information

6. The information set forth below is based upon: (a) conversations with a partner (the "partner") of a private equity firm ("Fund A"); (b) conversations with a person then-employed at the OSC with knowledge of the transaction (the "OSC employee"); (c) conversations with a hedge fund manager (the "hedge fund manager"); (d) conversations with a placement agent (the "agent"); (e) conversations with Investigator John Serrapica of the Office of the Attorney General ("Investigator Serrapica"), a forensic accountant who examined voluminous business records and bank records of Aldus, Morris and Morris-related companies, among other records; (f) my examination of contracts and business records maintained by Aldus and the OSC; and (g) my examination of bank records.

The crimes were committed in the following manner:

BACKGROUND

7. Defendant Saul M. Meyer ("Meyer" or the "defendant") is a founding partner of Aldus Equity ("Aldus"), a private equity services firm headquartered in Dallas, Texas and founded in 2003.[3] Aldus provides advisory services to large institutional investors, such as public pension funds, and also creates customized fund-of-fund investment programs for clients.

[3] Unless otherwise indicated, information in this section was derived from www.aldusequity.com and the official websites of other public pension funds including New Mexico's public pension fund website, http://www.sic.state.nm.us/private_equity_advisors.htm.

8. Meyer has J.D. and M.B.A. degrees from the University of Texas at Austin and a B.A. degree from Emory University. Prior to forming Aldus, Meyer worked in private equity and real estate investment banking.

9. Since its inception, Aldus has been retained to advise several public pension funds, including the Los Angeles Fire and Police Pensions, the Louisiana State Employees Retirement System, the New Mexico Educational Retirement Board, the New Mexico State Investment Council, the New York City Retirement System, the New York State Common Retirement Fund, the San Antonio Fire and Police Pension Fund, the City of Fort Worth Pension Fund, and the Teachers Retirement System of Oklahoma.

10. Aldus was retained as a private equity advisor to the New Mexico State Investment Council ("NMSIC") in or about late 2003. In or about late 2006, Aldus was retained to advise the New Mexico Education Retirement Board ("NMERB"). As of 2009, Aldus was earning approximately $1.5 million for its work on behalf of NMSIC and NMERB. Recently, both the NMSIC and NMERB suspended their contracts with Aldus pending internal reviews of investments.

CRF CONSIDERS FUND A FOR EMERGING MANAGERS FUND

A. Information from Partner of Fund A

11. I am aware of the following information from a partner (the "partner") at Fund A, a private equity firm located in Dallas, Texas, which sought a mandate from the CRF to manage its emerging managers fund.

12. In or around 2003, the CRF was seeking an external manager to manage an emerging managers fund, an investment vehicle through which CRF would invest capital principally in minority-owned and women-owned funds.

13. In or around the summer of 2003, a partner of Fund A arranged to meet with David Loglisci, the Head of Alternative Investments for the CRF, at a restaurant in New York County.

14. In or around the fall and winter of 2003, CRF began its due diligence process on Fund A. In this regard, the partner met with additional staff at CRF and with the consultant CRF used to vet the deal, Hamilton Lane.

15. In or around early 2004, the partner of Fund A met with a hedge fund manager ("the hedge fund manager"), who demanded to be made a 50% owner of the emerging managers fund. The partner was taken aback and asked the hedge fund manager why he was demanding such an extraordinary amount. The hedge fund manager told the partner that the hedge fund manager needed to pay some of the money to Hank Morris.

16. In or around the spring of 2004, the partner was at a meeting at the OSC's offices in New York County for further discussions relating to the emerging managers fund. After the meeting, David Loglisci privately spoke with the partner and asked him whether he had taken care of the hedge fund manager. The partner responded that he had not done so.

17. The partner later learned that CRF had awarded the mandate for the emerging managers fund to another private equity firm, Aldus.

B. <u>Information from OSC Employee</u>

18. I am aware of the following information from a person then-employed at the CRF with knowledge of the transaction (the "OSC employee").

19. The OSC employee stated that before David Loglisci became the Chief Investment Officer (the "CIO"), the CRF was evaluating Fund A to be the manager of the

emerging managers fund. In the middle of the due diligence process, the existing CIO was removed from his position and Loglisci was promoted to be CIO.

20. Loglisci took a particular interest in the emerging managers fund and, upon becoming CIO, caused an OSC employee to call Fund A and demand terms that that employee understood to be economically onerous, such that Fund A would likely not agree to them.

21. Once Fund A was eliminated from the process, Loglisci brought in Aldus to be manager of the emerging managers fund. It was clear to the OSC employee that Loglisci took particular interest in this deal and that therefore, regardless of the evaluation any OSC employee did, this mandate was going to be awarded to Aldus.

22. A person who was an OSC employee at the time of the deal indicated that he was unaware of Morris earning fees directly or indirectly on any CRF investment. Such a fact would have been material to this OSC employee, due to the conflict of interest questions it would raise. Any such involvement by Morris would have been an issue raising a red flag for this OSC employee. For the same reason, the OSC employee would have wanted to know of any business relationship between any of the Comptroller's children and an entity seeking funds from CRF.

MEYER STRIKES A DEAL WITH MORRIS

A. Information from a Placement Agent

23. I am aware of the following information from a person who was employed as an unlicensed placement agent (the "agent").

24. During 2004, Hank Morris contacted the agent and asked him to meet at Morris's office in New York County. When the agent met Morris there, Morris asked the

agent if the defendant could be trusted. Morris stated that he was in a position to secure the emerging managers fund for Aldus but that the defendant would have to pay Morris 35 percent of the economics of the deal and Morris would then pay the agent 10 percent. The agent was surprised that Morris was in a position to secure such a large award of public pension funds, having assumed that this would require a formal Request for Proposals process. The agent told Morris that he believed the defendant could be trusted, and agreed to approach the defendant.

25. The agent approached the defendant and stated that Morris could secure the emerging managers mandate for Aldus if the defendant would agree to pay Morris 35 percent of the deal, with the understanding that Morris would then pay 10 percent to the agent. The agent understood that his portion of the fees would be concealed from CRF. The defendant agreed to enter into this relationship. Subsequently, at Loglisci's recommendation, the CRF awarded the emerging managers mandate to Aldus, making an initial capital commitment of $175 million into the fund in December 2004. Periodically, the defendant made payments to Morris flowing from the emerging managers mandate, and Morris made payments to the agent.

26. During 2006, after meeting once again with Morris at his office in New York County, the agent came to understand that Morris was also serving as a placement agent on numerous deals before the CRF. Given the extent of Morris's activities, the agent was concerned that Morris was likely obtaining placement agent fees on investments placed in the emerging managers fund. This would mean Morris was receiving fees on the Aldus/NY Emerging Fund engagement, plus fees on deals in that

fund of funds, putting him on both sides of the deal. The agent therefore advised the defendant to break his contract with Hank Morris.

27. In fact, I have reviewed bank records and accounting and other records showing that Morris, through his various companies, received fees on (a) Levine Leichtman Capital Partners III, a fund the Aldus/NY Emerging Fund invested in while Morris was earning fees from Aldus/NY Emerging Fund, and (b) Kline Hawkes Growth Equity Fund and Syndicated Communications Venture Partners V, two funds Aldus invested in after Morris's disengagement from Aldus/NY Emerging Fund.

28. I have reviewed an email indicating that partners at Aldus knew that Morris was working on the Kline Hawkes deal before Meyer terminated his relationship with Morris. Thus, Aldus was aware that Morris was marketing private equity funds for investments from Aldus/NY Emerging Fund while at the same time Morris had a 35% interest in the economics of Aldus/NY Emerging Fund.

MEYER FAILS TO DISCLOSE THE MORRIS ARRANGEMENT

29. In May 2004, the defendant and Morris signed a letter agreement (the "letter agreement") on behalf of Aldus and Pantigo Emerging LLC ("Pantigo"), respectively. Pantigo is an unregulated entity, not found in the FINRA database of licensed broker-dealers. Based on corporate and bank records, Pantigo was a shell corporation used by Morris.

30. The letter agreement recites that Pantigo will assist Aldus "with respect to the creation and formation of an emerging manager private equity fund of funds to manage monies committed by the NY Common Fund." Under the letter agreement, the

greater of $300,000 or 35% of the management fees plus 35% of the carried interest Aldus received from CRF would go to Pantigo.

31. The letter agreement required the parties to negotiate in good faith a more formal, complete agreement to capture numerous detailed terms of the agreement. The letter agreement expressly provided that it would "immediately expire" if the parties did not enter such an agreement by June 30, 2005, and neither party would have any further obligation toward the other.

32. I have reviewed the Limited Partnership Agreement between CRF and Aldus dated as of December 22, 2004, concerning the Aldus/NY Emerging Fund, L.P. That agreement requires Aldus to disclose, within 10 days after the date of the agreement, all fees, bonuses, and other compensation paid by or on behalf of Aldus to placement agents, finders and others in connection with the agreement. The defendant signed the agreement for Aldus.

33. I have reviewed records of the CRF showing that in 2007, after Loglisci left the employment of the OSC, the acting CIO sent emails to a variety of general partners seeking copies of letters the general partners were required to submit within ten days of their deals' closings, disclosing fees paid to third parties.

34. In response to this request, Meyer wrote that he was not able to locate a copy of the letter Aldus had initially submitted to the CRF, but claimed that during a compliance audit in 2006, Aldus had identified its files were incomplete and had sent a notice to David Loglisci. Meyer attached a pdf file of an unsigned letter bearing a date of March 22, 2006. The letter is from Aldus' chief compliance person to Loglisci and states, among other things, that Aldus is disclosing its third-party marketing contract

engagement, and that it pays a commission to Pantigo for marketing. The letter does not disclose that Hank Morris was associated with Pantigo, or that part of the fees were going to the agent described in paragraph 22.

35. As noted above in paragraph 22, it would have been material to investment staff to know that Morris was earning fees on this deal.

MEYER SEEKS TO END HIS DEAL WITH MORRIS

36. I am aware of the following information from a hedge fund manager (the "hedge fund manager").

37. The hedge fund manager knew the defendant from dealings with public pension funds in New Mexico, as to which Aldus was an adviser on private equity fund deals. In 2006, the defendant told the hedge fund manager that the defendant wished to terminate a relationship with Morris under which Aldus paid fees to Morris. The defendant stated that Deutsche Bank was considering purchasing an interest in Aldus and the defendant believed Deutsche Bank, in reviewing Aldus's files, would not approve of Aldus's contract with Morris.

38. At the defendant's request, the hedge fund manager spoke to Morris, who became angry and threatened as follows, "Tell that little peanut of a man that I can take the business away as easily as I provided it." The hedge fund manager told the defendant in substance that Morris was not amenable to ending the contract and that the defendant would have to sort it out himself.

39. On April 20, 2006, Aldus and Pantigo signed a settlement agreement and release terminating the letter agreement described in paragraph 29, above. They did so

despite the fact that the letter agreement by its terms had automatically expired because no formal agreement had been entered by June 30, 2005.

MEYER SEEKS INCREASE IN CRF INVESTMENT WHILE <u>HELPING THE COMPTROLLER'S SON IN NEW MEXICO</u>

40. As set forth in this section, the defendant sought a $200 million increase in the original size of CRF's capital commitment to the Aldus/NY Emerging Fund at the same time that the defendant was helping a son of the New York State Comptroller place an investment of $25 million at a public pension fund in New Mexico. Aldus was an adviser to that New Mexico pension fund, and recommended that the deal go through. In the end, the defendant obtained the increase in commitment to the Aldus/NY Emerging Fund, and the Comptroller's son obtained the commitment from the public pension fund in New Mexico, earning him $250,000 in fees.

41. In particular, I have reviewed records produced by Aldus and others which show that in or about late 2005, Aldus began to conduct due diligence for a New Mexico pension fund ("New Mexico SIC") on a fund known as Catterton VI.

42. Based on CRF records and statements of the OSC employee, I am aware that on or about February 22, 2006, CRF approved an increase in capital commitment of $200 million in the Aldus/NY Emerging Fund.

43. Records of Aldus show that, (a) on or about March 1, 2006, Aldus recommended to New Mexico SIC that it invest up to $30 million in a fund known as Catterton VI, and Meyer informed the Comptroller's son of this fact, and (b) in or about May 2006, the Comptroller's son thanked the defendant "for NM."

44. I have reviewed documents produced by the New Mexico SIC which reflect that it invested $25,000,000 in Catterton Partners VI, L.P. in 2006 and that a son

of the New York State Comptroller received $250,000 in fees in connection with that investment.

45. The OSC employee described in paragraph 22 has informed me that relevant CRF investment staff was not informed of the fact that Meyer was helping the New York State Comptroller's son in New Mexico at the same time that Meyer was seeking an increase in capital commitment from New York State. The OSC employee stated that the investment staff should have been notified as all conflicts of interest and potential conflicts of interest should be disclosed.

THE DEFENDANT'S ADMISSIONS AND
FALSE EXCULPATORY STATEMENTS

46. I am aware of the following statements the defendant made in substance and in part during a series of interviews with the Office of the Attorney General.

47. The defendant acknowledged that during 2003 and early 2004, Aldus attempted to market an emerging managers fund to CRF. At a later time, CRF asked the defendant to re-present his proposal for the emerging managers fund to CRF.

48. The defendant acknowledged that the agent introduced Hank Morris to the defendant as a politically-connected person who could help secure the emerging managers mandate. However, the defendant failed to disclose during his interviews with the Office of the Attorney General that the agent told him that Morris was demanding 35 percent of the deal and would then kick back 10 percent to the agent.

49. The defendant admitted that he was already in the due diligence stage with CRF at the time that he retained Morris. During an early interview, the defendant admitted that he hired Morris in part to guarantee that the deal would go forward. In a subsequent interview, the defendant claimed that someone introduced Morris to the

defendant as someone who could help Aldus stay out of trouble as it marketed the emerging managers fund to state institutional investors, and also claimed that the defendant hired Morris largely to connect Aldus' emerging managers fund with other state institutional investors.

50. The defendant acknowledged that after Aldus had secured the emerging managers mandate, during the fall of 2005, the defendant met with Morris and another person who had been employed by another public pension fund to discuss putting together a co-investment fund. On this proposed deal, Morris demanded 60% of the *gross* fees, with 40% for Aldus; previously, Morris had received 35% of the *net*. Morris told Meyer, directly or indirectly, that Morris had the power to make decisions, while Aldus was just a vehicle to execute them. Meyer claimed to be shocked by this, refused to meet Morris's demands, and now considered Morris to be a "scumbag."

51. As set forth above, despite Morris's statement in the fall of 2005 that he had the power to make decisions at CRF, Meyer did not terminate his relationship with Morris with respect to the emerging managers mandate until April 2006, and even then continued to pay Morris – $66,000 on or about November 1, 2005, almost $80,000 on February 1, 2006, and over $56,000 at the conclusion of the relationship on April 20, 2006.

FINANCIAL BENEFTS TO MEYER AND MORRIS

52. The Comprehensive Annual Financial Reports of CRF show that CRF has paid a total of $3,431,951 in alternative investments fees to Aldus for Aldus/NY Emerging Fund from 2004 through March 2008. The annual breakdown is as follows: $400,000 for the fiscal year ending March 31, 2005, $969,925 for the fiscal year ending

March 31, 2006, $931,935 for the fiscal year ending March 31, 2007, and $1,130,091 for the fiscal year ending March 31, 2008.

53. Records of Pantigo show that Pantigo received on the Aldus/NY Emerging Fund $182,639 in 2005, and $136,736 in 2006. Bank records show that Morris paid some of this amount to the agent who arranged for the agreement between Aldus and Pantigo, as explained above.

Based on the above, the defendant, along with his agents, accomplices, and coconspirators, intentionally engaged in fraud, deception, concealment, suppression, false pretense and fictitious and pretended purchase and sale, and made material false representations and statements with intent to deceive and defraud, while engaged in inducing and promoting the exchange, sale, negotiation and purchase within and from New York of securities, to wit: CRF investments in a fund managed by Aldus, the Aldus/NY Emerging Fund, described herein, and thereby wrongfully obtained property with a value in excess of two hundred and fifty dollars, to wit: a mandate to establish, and investments in, a fund of funds, and related fees.

FALSE STATEMENTS MADE HEREIN ARE PUNISHABLE AS A CLASS A MISDEMEANOR PURSUANT TO SECTION 210.45 OF THE PENAL LAW

Dated: New York, New York
April 30, 2009

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INVESTIGATOR GERARD J. MATHESON