ATTORNEY GENERAL OF THE STATE OF NEW YORK

IN THE MATTER OF QUADRANGLE GROUP LLC	:	Investigation No. 10-044

ASSURANCE OF DISCONTINUANCE
PURSUANT TO EXECUTIVE LAW § 63(15)

In March 2007, the Office of the Attorney General of the State of New York (the "Attorney General"), commenced an industry-wide investigation (the "Investigation"), pursuant to Article 23-A of the General Business Law (the "Martin Act"), into allegations of "pay-to-play" practices and undisclosed conflicts of interest at public pension funds, including the New York State Common Retirement Fund. This Assurance of Discontinuance ("Assurance") contains the findings of the Attorney General's Investigation and the relief agreed to by the Attorney General and Quadrangle Group LLC ("Quadrangle").

WHEREAS, the Attorney General finds that trillions of dollars in public pension funds in the United States are held in trust for millions of retirees and their families and these funds must be protected from manipulation for personal or political gain;

WHEREAS, the Attorney General finds that public pension fund assets must be invested solely in the best interests of the beneficiaries of the public pension fund;

WHEREAS, the Attorney General finds that the New York State Common Retirement Fund in particular is the largest asset of the State and, having been valued at $150 billion at the time of the events described in this Assurance, was larger than the entire State budget last year;

WHEREAS, the Attorney General finds that public pension funds are a highly desirable source of investment for private equity firms and hedge funds;

WHEREAS, the Attorney General finds that private equity firms and hedge funds frequently use placement agents, finders, lobbyists, and other intermediaries (herein, "placement agents") to obtain investments from public pension funds;

WHEREAS, the Attorney General finds that these placement agents are frequently politically-connected individuals selling access to public money;

WHEREAS, the Attorney General finds that the use of placement agents to obtain public pension fund investments is a practice fraught with peril and prone to manipulation and abuse;

WHEREAS, the Attorney General finds that the legislature has designated the New York State Comptroller, a statewide elected official, as the sole trustee of the Common Retirement Fund, vesting the Comptroller with tremendous powers over the Common Retirement Fund, including the ability to approve investments and contracts worth hundreds of millions of dollars;

WHEREAS, the Attorney General finds that persons and entities doing business before the State Comptroller's Office are frequently solicited for and in fact make political contributions to the Comptroller's campaign before, during, and after they seek and obtain business from the State Comptroller's Office;

WHEREAS, the Attorney General finds that this practice of making campaign contributions while seeking and doing business before the Comptroller's Office creates at least the appearance of corrupt "pay to play" practices and thereby undermines public confidence in State government in general and in the Comptroller's Office in particular;

WHEREAS, the Attorney General finds that the system must be reformed to eliminate the use of intermediaries selling access to public pension funds, and to eliminate the practice of making campaign contributions to publicly-elected trustees of public pension funds while seeking and doing business before those public pension funds;

WHEREAS, the Attorney General is the legal adviser of the Common Retirement Fund under New York's Retirement and Social Security Law §14;

WHEREAS, Quadrangle acknowledges the problems with "pay-to-play" practices and conflicts of interest inherent in the use of placement agents and other intermediaries to obtain public pension fund investments; and

WHEREAS, Quadrangle disapproves of such practices, recognizes the need for reform, and embraces the Attorney General's Reform Code of Conduct attached to this Assurance and incorporated by reference herein; and

WHEREAS, the principals of Quadrangle described in this Assurance are no longer with the firm; and

WHEREAS, under new management, Quadrangle has fully cooperated with the Attorney General's investigation.

I. QUADRANGLE

1. Quadrangle is a private equity firm with over $3 billion under management. Quadrangle manages two funds and operates out of offices in New York, London and Hong Kong. Quadrangle is licensed to do business in the State of New York. Its principal executive offices are located in New York City.

II. THE NEW YORK OFFICE OF THE STATE COMPTROLLER

2. The New York Office of the State Comptroller (the "OSC") administers the New York State Common Retirement Fund (the "CRF"). The CRF is the retirement system for New York State and many local government employees. Most recently valued at $129.4 billion, the CRF is by far the single largest monetary fund in State government and the third-largest public employee pension fund in the country. The New York State Comptroller is designated by the legislature as the sole trustee responsible for faithfully managing and investing the CRF for the exclusive benefit of over one million current and former State employees and retirees.

3. The Comptroller is a statewide elected official and is the State's chief fiscal officer. The Comptroller is the sole trustee of the CRF, but typically appoints a Chief Investment Officer and other investment staff members who are vested with authority to make investment decisions. The Comptroller, the Chief Investment Officer and CRF investment staff members owe fiduciary duties and other duties to the CRF and its members and beneficiaries.

4. The primary functions of the OSC are to perform audits of state government operations and to manage the CRF. The CRF invests in specific types of assets as set forth by statute. The statute's basket provision allows a percentage of the CRF portfolio's investments to be held in assets not otherwise specifically delineated in the statute. From 2003 through 2006, the CRF made investments that fell into this "basket" through its Division of Alternative Investments. This division was primarily comprised of staff members or investment officers who reported through the Director

of Alternative Investments to the Chief Investment Officer, who reported to the Comptroller with respect to investment decisions.

5. During the administration of Alan Hevesi, who was Comptroller from January 2003 through December 2006 ("Hevesi"), the CRF invested the majority of its alternative investments portfolio in private equity funds. Beginning in approximately 2005, the CRF also began to invest in hedge funds. The CRF generally invested in private equity funds as one of various limited partners. In these investments, a separate investment manager generally served as the general partner which managed the day-to-day investment. The alternative investment portfolio also included investments in fund-of-funds, which are investments in a portfolio of private equity or hedge funds. The CRF invested as a limited partner in fund-of-funds. In other words, the CRF would place a lump sum with a fund and that fund would essentially manage the investment of these monies by investing in a portfolio of other sub-funds.

6. The CRF was a large and desirable source of investments funds. Gaining access to and investments from the CRF was a competitive process, and frequently the investment manager who served as the general partner of the funds retained third parties known as "placement agents" or "finders" (hereinafter "placement agents") to introduce and market them to CRF. If an investment manager paid a fee to the placement agent in connection with an investment made by the CRF, the CRF required that the investment manager make a written disclosure of the fee and the identity of the placement agent to the Chief Investment Officer or to the manager of the fund-of-funds.

7. Once the CRF was introduced to and interested in the fund, the fund was referred to one of CRF's outside consultants for due diligence. At the same time, a CRF investment officer was assigned to review and analyze the transaction. If the outside consultant found the transaction suitable, the investment officer then determined whether to recommend the investment to the Director of Alternative Investments.

8. If the investment officer recommended a proposed private equity investment, and the Director of Alternative Investments concurred, then the recommendation was forwarded to the Chief Investment Officer for approval. If the Chief Investment Officer approved, he recommended the investment to the Comptroller, whose approval was required before the CRF would make a direct investment. There was a similar process for hedge fund investments, which required the recommendation of the senior investment officer to the Chief Investment Officer and the Chief Investment Officer's approval and recommendation to the Comptroller. Given this process, the Chief Investment Officer could not make an investment unless the proposed investment had been vetted by an outside consultant and recommended by multiple levels of investment staff, including the Director of Alternative Investments, the Chief Investment Officer and the Comptroller.

9. Placement agents and other third parties who are engaged in the business of effecting securities transactions and who receive a commission or compensation in connection with that transaction are required to be licensed and affiliated with broker-dealers regulated by an entity now known as the Financial Industry Regulatory Authority ("FINRA"). To obtain such licenses, the agents are required to pass the "Series 7" or equivalent examination administered by FINRA.

III. THE MORRIS/LOGLISCI INDICTMENT

10. As a result of the Investigation, a grand jury returned a 123-count indictment (the "Indictment") of Henry "Hank" Morris, the chief political officer to Hevesi, and David Loglisci, the CRF's Director of Alternative Investments and then Chief Investment Officer. The Indictment charges Morris and Loglisci with enterprise corruption and multiple violations of the Martin Act, money laundering, grand larceny, falsifying business records, offering a false instrument for filing, receiving a reward for official misconduct, bribery, rewarding official misconduct and related offenses. The Indictment alleges the following facts in relevant part as set forth in this Part III of the Assurance.

11. Morris, the chief political advisor to Hevesi, and Loglisci, joined forces in a plot to sell access to billions of taxpayer and pension dollars in exchange for millions of dollars in political and personal gain. Morris steered to himself and certain associates an array of investment deals from which he drew tens of millions of dollars in so-called placement fees. He also used his unlawful power over the pension fund to extract vast amounts of political contributions for the Comptroller's re-election campaign from those doing business and seeking to do business with the CRF.

12. In November 2002, Hevesi was elected to serve as Comptroller, and took office on January 1, 2003. Prior to and after the 2002 election, Morris served as Hevesi's paid chief political consultant and advisor. Upon Hevesi taking office in 2003, Morris began to exercise control over certain aspects of the CRF, including the alternative investment portfolio.

13. Morris asserted control over CRF business by recommending, approving, securing or blocking alternative investment transactions. Morris also influenced the CRF to invest for the first time in hedge funds, an asset class that was perceived to be riskier than private equity funds, so that Morris and his associates could reap fees from hedge fund transactions involving the CRF.

14. Morris participated in discussions to remove and promote certain executive staff at the CRF. In or about April 2004, for example, Morris and certain other high-ranking OSC officials determined that the original Chief Investment Officer of the CRF was not sufficiently accommodating to Morris and his associates. Morris participated in the decision to remove the original Chief Investment Officer and promote Loglisci to that position.

15. Beginning in 2003, Morris also began to market himself as a placement agent to private equity and hedge funds seeking to do business with the CRF. At the same time that Morris was profiting through investment transactions involving the CRF, Morris participated with Loglisci in making decisions about investments. In particular, during the Hevesi administration, Morris occupied three conflicting roles at the CRF although he had no official position there: (1) he advised and helped manage the CRF's alternative investments, acting as a de facto Chief Investment Officer; (2) he brokered deals between the CRF and politically-connected outside investment funds offering investment management services, earning millions in undisclosed fees as a placement agent; and (3) he had a commercial, personal and political relationship as the Comptroller's chief political strategist and fundraiser.

16. Through his role at the CRF, Morris became a de facto and functional fiduciary to the CRF and its members and beneficiaries, and owed a fiduciary duty to act in the best interests of the CRF and its members and beneficiaries. However, Morris breached this duty and used his influence over the CRF investment process to enrich himself and other associates. Morris's multiple roles generated conflicts of interest, which Loglisci had knowledge of and failed to disclose.

17. Loglisci ceded decision-making authority to Morris regarding particular investments and investment strategies to be pursued and approved by the CRF. During this time, Loglisci was also aware that Morris had an ongoing relationship with the Comptroller. Loglisci was a fiduciary to the CRF and a public officer with duties pursuant to the Public Officers Law and therefore had a duty to disclose his own and others' actual and potential conflicts of interests. Loglisci failed to disclose Morris's role to members and beneficiaries of the CRF through the CRF's annual report or otherwise. Loglisci and Morris concealed their corrupt arrangement and Morris's role in investment transactions from the investment staff, ethics officers, and lawyers at CRF. Additionally, Loglisci failed to disclose his own conflicts of interest involving the financing and distribution of his brother's film, "Chooch," by Morris and other persons receiving an investment commitment from the CRF.

18. In sum, from 2003 through 2006, through Morris's and Loglisci's actions as described above, the process of selecting investments at the CRF – investments of billions of dollars – was skewed and corrupted to favor political associates, family and friends of Morris and Loglisci, and other officials in the Office of the State Comptroller. Morris and Loglisci corrupted the alternative investment selection

process by making investment decisions based on the goal of rewarding Morris and his associates, rather than based exclusively on the best interests of the CRF and its members and beneficiaries. Morris and Loglisci favored deals for which Morris and his associates acted as placement agents, or had other financial interests, which interests were often concealed from investment staff and others. The scheme was manifested in several ways:

a. In some instances, Morris and Loglisci blocked proposed CRF investments where the private equity fund or hedge fund would not pay them or their associates.

b. In yet others, Morris inserted his associates as placement agents, who then shared fees with Morris and on others, Morris, Loglisci and their associates inserted placement agents into proposed transactions as a reward for past political favors.

c. On one transaction, Morris was a principal of an investment in which Morris served as placement agent.

d. On some transactions, Morris was the placement agent through a broker/dealer, Searle & Company ("Searle") or another entity controlled by Morris and Morris shared fees with an associate. On certain other transactions, the structure was reversed, so that an associate of Morris was the placement agent, who shared fees with Morris. These fee sharing arrangements were often not disclosed to fund managers or to the CRF investment staff, other than Loglisci.

19. Morris concealed his conflicting roles as political consultant, CRF gatekeeper and CRF placement agent from the CRF alternative investment staff and others. Morris also concealed financial relationships he had with Loglisci and another OSC official. At times, Morris concealed his role as CRF investment gatekeeper from funds that hired him as a placement agent. In some instances, Morris obtained placement agreements and fees for himself and others from certain fund managers through false

and misleading representations and material omissions, including claims that Searle was the official placement agent for the CRF.

20. Loglisci helped to conceal his and Morris's scheme by maintaining exclusive custody of letters to the CRF that disclosed the use of placement agents and fees paid relating to certain CRF investment transactions.

21. As a result of Morris and Loglisci's scheme, Morris and his associates earned fees on more than five billion dollars in commitments to more than twenty private equity funds, hedge funds, and fund-of-funds during the Hevesi administration. These deals generated tens of millions of dollars in fees to Morris and his associates.

IV. FINDINGS AS TO QUADRANGLE

SUMMARY

22. The Investigation revealed that Steven Rattner arranged for Quadrangle, through its private equity business Quadrangle Capital Partners ("QCP"), to retain Morris as a placement agent. In addition, Rattner arranged a DVD distribution deal for a movie, "Chooch," produced by David Loglisci's brother. Arranging this distribution deal and using Morris as a placement agent, Quadrangle obtained $100 million in investment commitments from CRF.

PRE-MARKETING QCPII TO CRF AND AGREEING TO HELP STEVE LOGLISCI

23. In or around 2003, when Quadrangle had not yet begun fundraising for its second private equity fund, Quadrangle Capital Partners II LP ("QCPII"), Quadrangle sought to meet with David Loglisci, then the Head of Alternative Investments at CRF, in an effort to build a relationship and pre-market the fund. Rattner and another former

principal (the "former principal"), two of Quadrangle's four founders and managing principals, met with Loglisci on July 8, 2003.

24. In or around November 2003, Rattner received a phone call from Hank Morris, a political consultant he had known for years, requesting that Rattner meet with him. Rattner agreed to meet him.

25. On December 2, 2003, Rattner met with Morris. During the meeting, Morris raised two matters. First, he let Rattner know that he was helping some investment firms raise private equity money from pension funds he was close to (specifically mentioning NYSCRF, CalPERS and LA F&P), and second, he asked Rattner to help Steve Loglisci, the brother of David Loglisci, arrange for his movie, "Chooch," to be distributed by Independent Film Channel ("IFC"). (IFC was a subsidiary of Cablevision, a company in which Quadrangle was an investor and on whose board Rattner sat.) Rattner agreed to help Steve Loglisci.

26. Rattner met with Steve Loglisci twice in early December 2003 for the purpose of helping get his movie distributed. Ultimately, these efforts did not bear fruit.

27. Later in December 2003, Rattner connected Steve Loglisci to various people at IFC. Steve Loglisci met with those people, and thanked Rattner for introducing them.

OBTAINING AN INVESTMENT FROM CRF/ BENEFITTING THE CIO'S BROTHER THROUGH "CHOOCH"

28. In or around the fall of 2004, after Quadrangle had begun fundraising for QCPII and while an investment for CRF was pending, Rattner made efforts to help Steve Loglisci get his movie distributed, this time by reaching out to the CEO of Good Times Entertainment ("Good Times") (the "Good Times CEO"), a portfolio company of

Quadrangle with a DVD distribution business. Rattner was on the board of directors of Good Times. The CEO reported to the board.

29. Rattner pressed Good Times to offer Steve Loglisci a distribution deal for Chooch even after Good Times made plain to Rattner that Chooch was a movie Good Times would otherwise "take a pass on." The Good Times CEO conveyed to Rattner that Good Times was "at a point with Steve Loglisci and the Chooch movie that we would typically disengage." Rattner responded that "[a]s for Steve Loglisci, I would appreciate it if you could dance along with this for another couple of weeks while I try to figure out what we need to do."

30. On or around November 29, 2004, Rattner had a conversation with Morris in which Rattner asked Morris' advice on "whether GT needs to distribute [Steve Loglisci's] video." Morris told Rattner he would "nose around," suggesting he would find out how important doing the Chooch deal was to David Loglisci. Rattner also asked the Good Times CEO, "if we needed to do a distribution deal with [Steve Loglisci] and see what we could sell, what would that cost us and/or what are the typical terms?"

31. On or around November 30, 2004, the Good Times CEO let Rattner know that Good Times had offered Steve Loglisci a below-market distribution deal earlier that day, and that Steve Loglisci had accepted it. While Good Times' standard deal term was a 15% distribution fee, Good Times agreed to a discount rate of 12%. Rattner approved the terms of the deal including the discount.

32. In early December 2004, Good Times began negotiating the Chooch contract with Steve Loglisci. The negotiation continued through December and into January and February 2005.

33. On January 14, 2005, the Good Times CEO sent an email to Rattner reporting to him that Good Times was moving forward with the Chooch distribution deal and "wanted to bring it to [his] attention as a potential relationship issue." Rattner forwarded the email to Morris, telling him, "This is Steve Loglisci's project. Wanted you to be aware." Rattner also wrote back to the Good Times CEO, "Thanks. This is very helpful to us."

34. On February 24, 2005, Steve Loglisci (through his company, Chooch LLC) and Good Times (through its affiliate GT Merchandising & Licensing LLC) signed a distribution agreement for Chooch.

35. Good Times signed the deal on the eve of its own bankruptcy. Since in or around the fall of 2004, the company had been in financial trouble, and by February 2005, when Good Times began trying to sell parts of the company, bankruptcy was likely. In or around June 2005, various companies began to acquire components of Good Times. Gaiam, a Colorado company, acquired certain of Good Times' titles, including Chooch.

36. Contemporaneous with Rattner's efforts on behalf of Chooch, Quadrangle was seeking an investment from CRF for QCPII. In or around October 2004, Rattner and the former principal had a meeting with Loglisci. According to the prospect report Quadrangle kept for CRF, Loglisci "was eager to help and seemed to be trying to position [Quadrangle] for his staff in the most favorable light." Loglisci made clear to

Quadrangle he wanted to help QCPII with both consultants vetting the deal and other pension funds considering making an investment.

- HIRING MORRIS

37. While the Good Times deal was pending, in November 2004, Rattner resumed contact with Morris. Rattner, who was seeking investments in QCPII from a variety of pension funds, had heard that the New York City pension board was a particularly difficult bureaucracy to penetrate and that it was advisable to hire an intermediary with direct relationships there. In this context, he reached out to Morris.

38. In or around mid-November 2004, Rattner and the former principal met with Morris.

39. In November and December 2004, Rattner and the former principal spoke with Morris about hiring him to market QCPII to a variety of pension funds, CRF included. Although at the time Quadrangle had understood from Monument Group it was likely to receive an investment of $20 to $50 million from CRF (with the most likely scenario being $25 million), Morris told Rattner he could increase the size of the investment and therefore Quadrangle should pay him on the upside.

40. In or around December 2004, Quadrangle, advised by its then-outside counsel, agreed in principle to a fee arrangement with Morris. On January 10, 2005, Quadrangle formally retained Searle, the broker-dealer with which Morris was affiliated, as its placement agent for CRF and six other pension funds (LA F&P, LACERS, NM SIC, NYC pension funds, State Board of Administration of Florida, University of California Office of the Treasurer of the Regents). Searle was to be paid 1.1% of aggregate investments made by these seven funds (excluding the first $25

million committed by CRF – since Quadrangle was expecting to get at least that amount prior to Morris' insertion on the deal), plus an additional bonus of .4% of any amount over $75 million. Searle did not disclose to Quadrangle the terms of Morris's compensation agreement with Searle.

41. On February 7, 2005, Searle entered into a sub-finder agreement with DAV/Wetherly Financial, L.P., the broker-dealer with which Julio Ramirez, an unlicensed agent, was affiliated. Searle agreed to split its fees for any investment made in QCPII by any of the aforementioned pension funds other than CRF.

QUADRANGLE RECEIVES INVESTMENTS

- CRF

42. Morris provided no legitimate placement agent services for QCPII with CRF. He neither set up nor attended any meetings with CRF on Quadrangle's behalf. Morris also attended no meetings with Hamilton Lane or with PCG, which in addition to producing a report for CRF also advised some of the other pension funds.

43. Rather, from time to time, Morris reported to Quadrangle on conversations with Loglisci and the Comptroller relating to Quadrangle and how investment prospects on QCPII were looking.

44. At the end of January 2005, CRF recommended a $100 million investment in Quadrangle. This was two weeks after Rattner notified Morris that Good Times would be distributing "Chooch." On February 11, 2005, Quadrangle learned that CRF would be making the investment and that it was one of the five largest direct investments CRF was making that year. The $100 million amount triggered Morris's bonus fee.

45. On March 17, 2005, CRF made its formal commitment of $100 million in QCPII.

46. Based on this amount, Searle received placement agent fees totaling $1,125,000 in connection with the investment Quadrangle received from CRF. These payments were made in five installations, from October 2005 to June 2007.

47. After Searle received these fees, Searle paid $1,068,746 to PB Placement, LLC, an entity controlled by Morris. These payments were made in five installments from November 2005 to July 2007.

- NEW YORK CITY PENSION FUNDS

48. Searle also received fees from Quadrangle with respect to the NYC pension funds, which invested $85 million in Quadrangle, and both Morris and Ramirez received fees on this investment.

49. Searle received fees totaling $1,275,000 in connection with the investment Quadrangle received from NYC. These payments were made in four installations, from March 2006 to July 2007.

50. After Searle received these fees, Searle paid $866,874 to PB Placement, LLC. This payment was made in four installations from March 2006 to July 2007. (This amount also includes what Searle paid PB Placement, LLC for LA F&P.)

51. Searle paid $467,500 to Wetherly pursuant to their sub-finder agreement.

52. NYC's consultant, PCG, sent Quadrangle a questionnaire that included a question relating to placement agents it used in connection with the investment it obtained from NYC. Quadrangle did not update its response to disclose its use of Searle.

53. In or around October and November 2004, when the placement agents Quadrangle was using were Monument Group and Helix Associates (Helix Associates was the placement agent Quadrangle used to market its second fund in Europe),

Monument Group provided PCG with a completed version of PCG's questionnaire. The questionnaire identified Quadrangle's placement agents as Monument Group and Helix Associates.

54. On April 1, 2005, after Quadrangle had retained Searle, and Searle had sub-contracted with Wetherly for NYC, a Quadrangle executive sent NYC a copy of Quadrangle's private placement memorandum ("PPM") dated October 2004, an amendment to the PPM dated March 2005, and a due diligence book dated spring 2005, all of which identified Quadrangle's placement agents as Monument Group and Helix Associates.

55. On August 5, 2005, a former Quadrangle employee (the "former Quadrangle employee") sent PCG certain due diligence materials for QCPII including the spring 2005 due diligence book that had disclosed Quadrangle's placement agents as Monument Group and Helix Associates.

56. On August 8, 2005, the former Quadrangle employee sent PCG the PPM and two supplements to the PPM, also disclosing the placement agents as Monument Group and Helix Associates.

57. On August 15, 2005, another former Quadrangle employee provided PCG with an updated version of the completed PCG questionnaire, but did not add Searle to the response identifying Monument Group and Helix Associates as Quadrangle's placement agents.

58. On August 19, 2005, PCG emailed the former Quadrangle employee, asking whether Monument Group, Helix Associates and Wetherly were all assisting Quadrangle in the marketing of QCPII.

59. On October 14, 2005, NYC sent Rattner a copy of the PCG Investment Memo identifying Quadrangle's placement agents as Monument Group, Helix Associates and Wetherly.

60. At no time did Quadrangle update its answers to add notice of the retention of Searle or Morris.

- LA F&P

61. In or around April 2005, shortly after the Chooch DVD distribution deal was signed, Steve Loglisci let Rattner know he wanted to help Quadrangle with four potential investors in California. On April 20, 2005, Steve Loglisci met with Rattner for this purpose.

62. One of these investors was Elliott Broidy, who sat on the board of LA F&P, and whose private equity fund, Markstone, already had a commitment from CRF.

63. LA F&P invested $10 million in QCPII.

64. Based on this amount, Searle received placement agent fees totaling $150,000 in connection with the investment Quadrangle received from LA F&P. These payments were made in four installations, from March 2006 to July 2007.

65. After Searle received these fees, Searle paid $866,874 to PB Placement, LLC. These payments were made in four installations from March 2006 to July 2007. [This amount also includes what Searle paid PB Placement, LLC for NYC. See infra.]

66. Searle paid $55,000 to Wetherly, pursuant to their sub-finder agreement.

- NEW MEXICO SIC

67. While the agreement between Searle and Quadrangle set forth that Searle would be paid for any investment from NM SIC, Searle was not ultimately paid on the

investment NM SIC made in Quadrangle. NM SIC invested $20 million in Quadrangle, but Quadrangle refused to pay Searle on this investment because it was Quadrangle's view that Morris had not done anything to obtain the investment.

CAMPAIGN CONTRIBUTIONS

68. In or around 2006, as Alan Hevesi was running for re-election as Comptroller, Morris called Rattner and expressed to him that he and Hevesi wanted Rattner to be helpful in his re-election efforts. Morris added that others whose funds had received investments were also making contributions. When Rattner explained he had a policy against making contributions to officials with oversight over investments, Morris told him he should contribute money indirectly, by getting a third party to make the contribution.

69. Thereafter, Rattner asked a Democratic donor he knew to contribute to Hevesi. That person and his wife each subsequently gave approximately $25,000 to Hevesi for New York.

70. Shortly thereafter, the CRF increased its investment in QCPII from $100 million to $150 million.

MANAGEMENT FEES

71. Quadrangle has received approximately $5,000,000 in management fees from the CRF associated with the investments arranged by Morris.

AGREEMENT

WHEREAS, Quadrangle wishes to resolve the Investigation and is willing to abide by the terms of this Agreement set forth below;

WHEREAS, Quadrangle does not admit or deny the Attorney General's findings as set forth in this Assurance;

WHEREAS, the Attorney General is willing to accept the terms of the Assurance pursuant to New York Executive Law § 63(15), and to discontinue, as described herein, the Investigation of Quadrangle;

WHEREAS, the parties believe that the obligations imposed by this Assurance are prudent and appropriate;

IT IS HEREBY UNDERSTOOD AND AGREED, by and between the parties, as follows:

I. CODE OF CONDUCT

72. The Attorney General and Quadrangle hereby enter into the attached Public Pension Fund Reform Code of Conduct, which is hereby incorporated by reference as if fully set forth herein.

II. PAYMENT

73. Within 180 days of the signing of this Assurance, Quadrangle shall make a payment of $7 MILLION ($7,000,000) DOLLARS to the State of New York, $5 million of which the Office of the Attorney General will provide to the CRF. The payment shall be in the form of a wire transfer consistent with written instructions to be provided by the Office of the Attorney General.

74. Quadrangle agrees that it shall not, collectively or individually, seek or accept, directly or indirectly, reimbursement or indemnification, including, but not limited to, payment made pursuant to any insurance policy, with regard to any or all of the amounts payable pursuant to paragraph 73 above.

III. GENERAL PROVISIONS

75. Quadrangle admits the jurisdiction of the Attorney General. Quadrangle is committed to complying with relevant laws to include the Martin Act, General Business Law § 349, and Executive Law § 63(12).

76. The Attorney General retains the right under Executive Law § 63(15) to compel compliance with this Assurance. Evidence of a violation of this Assurance proven in a court of competent jurisdiction shall constitute prima facie proof of a violation of the Martin Act, General Business Law § 349, and/or Executive Law § 63(12) in any civil action or proceeding hereafter commenced by the Attorney General against Quadrangle.

77. Should the Attorney General prove in a court of competent jurisdiction that a material breach of this Assurance by Quadrangle has occurred, Quadrangle shall pay to the Attorney General the cost, if any, of such determination and of enforcing this Assurance, including without limitation legal fees, expenses and court costs.

78. If Quadrangle defaults on any obligation under this Assurance, the Attorney General may terminate this Assurance, at his sole discretion, upon 10 days written notice to Quadrangle. Quadrangle agrees that any statute of limitations or other time-related defenses applicable to the subject of the Assurance and any claims arising from or relating thereto are tolled from and after the date of this Assurance. In the event of such termination, Quadrangle expressly agrees and acknowledges that this Assurance shall in no way bar or otherwise preclude the Attorney General from commencing,

conducting or prosecuting any investigation, action or proceeding, however denominated, related to the Assurance, against Quadrangle, or from using in any way any statements, documents or other materials produced or provided by Quadrangle prior to or after the date of this Assurance, including, without limitation, such statements, documents or other materials, if any, provided for purposes of settlement negotiations, except as otherwise provided in a written agreement with the Attorney General.

79. Except in an action by the Attorney General to enforce the obligations of Quadrangle in this Assurance or in the event of termination of this Assurance by the Attorney General, neither this Assurance nor any acts performed or documents executed in furtherance of this Assurance: (a) may be deemed or used as an admission of, or evidence of, the validity of any alleged wrongdoing, liability or lack of wrongdoing or liability; or (b) may be deemed or used as an admission of or evidence of any such alleged fault or omission of Quadrangle in any civil, criminal or administrative proceeding in any court, administrative or other tribunal. This Assurance shall not confer any rights upon persons or entities who are not a party to this Assurance.

80. Quadrangle, under new management, has fully and promptly cooperated in the Investigation, shall continue to do so, and shall use its best efforts to ensure that all the current and former officers, directors, trustees, agents, members, partners and employees of Quadrangle (and any of Quadrangle's parent companies, subsidiaries or affiliates) cooperate fully and promptly with the Attorney General in any pending or subsequently initiated investigation, litigation or other proceeding relating to the

subject matter of the Assurance. Such cooperation shall include, without limitation, and on a best efforts basis:

a. Production, voluntarily and without service of a subpoena, upon the request of the Attorney General, of all documents or other tangible evidence requested by the Attorney General, and any compilations or summaries of information or data that the Attorney General requests that Quadrangle (or Quadrangle's parent companies, subsidiaries or affiliates) prepare, except to the extent such production would require the disclosure of information protected by the attorney-client and/or work product privileges;

b. Without the necessity of a subpoena, having the current (and making all reasonable efforts to cause the former) officers, directors, trustees, agents, members, partners and employees of Quadrangle (and of Quadrangle's parent companies, subsidiaries or affiliates) attend any Proceedings (as hereinafter defined) in New York State or elsewhere at which the presence of any such persons is requested by the Attorney General and having such current (and making all reasonable efforts to cause the former) officers, directors, trustees, agents, members, partners and employees answer any and all inquiries that may be put by the Attorney General to any of the them at any proceedings or otherwise; "Proceedings" include, but are not limited to, any meetings, interviews, depositions, hearings, trials, grand jury proceedings or other proceedings;

c. Fully, fairly and truthfully disclosing all information and producing all records and other evidence in its possession, custody or control (or the possession, custody or control of Quadrangle's parent companies, subsidiaries or affiliates) relevant to all inquiries made by the Attorney General concerning the subject matter of the Assurance, except to the extent such inquiries call for the disclosure of information protected by the attorney-client and/or work product privileges; and

d. Making outside counsel reasonably available to provide comprehensive presentations concerning any internal investigation relating to all matters in the Assurance and to answer questions, except to the extent such presentations call for the disclosure of information protected by the attorney-client and/or work product privileges.

81. In the event Quadrangle fails to comply with paragraph 73 of the Assurance, the Attorney General shall be entitled to specific performance, in addition to other available remedies.

82. The Attorney General has agreed to the terms of this Assurance based on, among other things, the representations made to the Attorney General and his staff by Quadrangle, its counsel, and the Attorney General's Investigation. To the extent that representations made by Quadrangle or its counsel are later found to be materially incomplete or inaccurate, this Assurance is voidable by the Attorney General in his sole discretion.

83. Quadrangle shall, upon request by the Attorney General, provide all documentation and information reasonably necessary for the Attorney General to verify compliance with this Assurance.

84. All notices, reports, requests, and other communications to any party pursuant to this Assurance shall be in writing and shall be directed as follows:

If to Quadrangle:

Richard A. Sauber, Esq.
Robbins, Russell, Englert, Orseck, Untereiner & Sauber LLP
1801 K Street, N.W., Suite 411 L
Washington, D.C. 20006

If to the Attorney General:

Office of the Attorney General of the State of New York
120 Broadway, 25th Floor
New York, New York 10271
Attn: Linda A. Lacewell

85. This Assurance and any dispute related thereto shall be governed by the laws of the State of New York without regard to any conflicts of laws principles.

86. Quadrangle consents to the jurisdiction of the Attorney General in any proceeding or action to enforce this Assurance.

87. Quadrangle agrees not to take any action or to make or permit to be made any public statement denying, directly or indirectly, any finding in this Assurance or creating the impression that this Assurance is without factual basis. Nothing in this paragraph affects Quadrangle's: (a) testimonial obligations; or (b) right to take legal or factual positions in defense of litigation or other legal proceedings to which the Attorney General is not a party.

88. This Assurance may not be amended except by an instrument in writing signed on behalf of the parties to this Assurance.

89. This Assurance constitutes the entire agreement between the Attorney General and Quadrangle and supersedes any prior communication, understanding or agreement, whether written or oral, concerning the subject matter of this Assurance. No representation, inducement, promise, understanding, condition or warranty not set forth in this Assurance has been relied upon by any party to this Assurance.

90. In the event that one or more provisions contained in this Assurance shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Assurance.

91. This Assurance may be executed in one or more counterparts, and shall become effective when such counterparts have been signed by each of the parties hereto.

92. Upon execution by the parties to this Assurance, the Attorney General agrees to suspend, pursuant to Executive Law § 63(15), this Investigation as and against Quadrangle, its employees, and its beneficial owners solely with respect to its marketing of investments to public pension funds in New York State. This Assurance, including this paragraph, does not apply to Steven Rattner.

93. Any payments and all correspondence related to this Assurance must reference AOD # 10-044.

WHEREFORE, the following signatures are affixed hereto on the dates set forth below.

ANDREW M. CUOMO
Attorney General of the State of New York

By:_____
Andrew M. Cuomo
120 Broadway
25th Floor
New York, New York 10271
(212) 416-6199
Dated: April 15, 2010

QUADRANGLE GROUP LLC

By:_____
~~Managing Director~~ Agent Consul
Dated: April 15, 2010