

Cuomo Announces Guilty Plea By Founder Of Private Equity Firm In Continuing Investigation Of Pay-to-play Kickback Scheme At State Pension Fund

NEW YORK, N.Y. (December 3, 2009) - Attorney General Andrew M. Cuomo today announced a felony guilty plea by Elliott Broidy, a founder and Chairman of Markstone Capital Group LLC, for his involvement in a pay-to-play kickback scheme at the Office of the New York State Comptroller (“OSC”).

Broidy acknowledged paying nearly one million dollars in gifts for the benefit of OSC officials to obtain a \$250 million investment from the New York State Common Retirement Fund (“CRF”) in Markstone Capital Partners, L.P. (the “Markstone Fund”). Broidy pleaded guilty to a felony charge of rewarding official misconduct and will cooperate in the Attorney General’s ongoing investigation. Broidy will also forfeit \$18 million in connection with his plea.

Today's announcement arises from a two-year, ongoing investigation into corruption involving the OSC and the CRF. The charges to date allege a complex criminal scheme involving numerous individuals operating at the highest political and governmental levels under former Comptroller Alan Hevesi, in which the State pension fund was used as a piggy bank for the Comptroller’s chief political aide and a favor bank for political allies and other friends.

“Broidy paid nearly a million dollars in bribes to get a quarter billion dollar investment. For Broidy, this was a small price to pay. For New York taxpayers, the harm is incalculable,” said Attorney General Cuomo. “Corruption corrodes the integrity of the pension system and the public’s trust in government. That is too high a price to bear.”

Markstone is a private equity firm headquartered in Los Angeles, California with an office in Israel. The Markstone Fund focuses on corporate buyout investments in privately held companies in Israel. Broidy resigned from his management role in Markstone on December 1, 2009. Broidy was also a trustee of the Los Angeles Fire and Police Pension fund from 2002 until he resigned in May 2009.

In his allocution to the Court, Broidy acknowledged making a series of payments to help induce and then increase the CRF’s investment in the Markstone Fund. The CRF ultimately committed \$250 million to the Markstone Fund and paid over \$18 million in management fees to Markstone. Broidy acknowledged that he had an agreement or understanding with certain high-ranking OSC officials: in exchange for certain benefits from Broidy, the OSC officials would exercise their judgment or discretion to benefit Markstone. Broidy acknowledged the following illicit arrangements:

- Broidy funneled \$300,000 to “Chooch,” a movie produced by brothers of David Loglisci, the Chief Investment Officer at OSC under Hevesi. To hide the payments, Broidy made them through a

friend, with the understanding that Broidy would reimburse him, which Broidy did.

- Broidy entered into a sham consulting agreement with a family member of a senior OSC official. Broidy paid more than \$380,000 to the consultant over a period of more than two years.
- Broidy paid over \$90,000 to the girlfriend of a high-ranking OSC official from April 2004 through October 2005. The payments were used to cover the girlfriend's living expenses and rent. Broidy also covered the girlfriend's hospital bills. Broidy also agreed to pay \$5,500 a month to a relative of the girlfriend beginning in October 2003, for a total of \$44,000. These payments were concealed through a sham loan agreement between Broidy and the relative.
- In connection with the CRF's investment in the Markstone Fund, Broidy traveled to Israel with a very high-ranking OSC official on at least five occasions and on one occasion to Italy. Relatives of the OSC official were present on some of the trips. Broidy subsidized these trips, paying for accommodations and services for the OSC official, the relatives, and Loglisci. Broidy paid at least \$75,000 for first class airfare, luxury hotel suites, a car and driver, a helicopter tour, and security detail on these trips. To conceal these payments, Broidy financed these expenses through charities and caused false invoices to be submitted to the OSC.

Broidy pleaded guilty before Justice Bart Stone in the State Supreme Court, New York County, Part 31, and was released on his own recognizance with travel restrictions. Broidy faces a possible sentence of up to 4 years in prison for the charge of rewarding official misconduct, a Class E felony.

Attorney General Cuomo's investigation into corruption at the CRF has led to a number of criminal charges to date, including charges against Morris and Loglisci, former Liberal Party Chair Ray Harding, and investment advisor Saul Meyer. Meyer, Harding, hedge fund manager Barrett Wissman, and Julio Ramirez, an unlicensed placement agent, have pled guilty to Martin Act securities fraud charges for conduct related to the pension fund. Morris and Loglisci are presumed innocent until they are proven guilty in court.

Cuomo also issued subpoenas in May to over 100 investment firms and agents after his investigation found that 40 to 50 percent of agents obtaining investments from New York pension funds were unregistered.

Earlier this year, Cuomo announced his Public Pension Fund Reform Code of Conduct, which would eliminate pay to play in state public pension funds. To date, seven firms have signed onto the Code: The Carlyle Group, Riverstone Holdings, Pacific Corporate Group, HM Capital, Falconhead Capital, Levine Leichtman Capital Partners, and Access Capital Partners. These firms collectively have agreed to return nearly \$60 million associated with New York State Common Retirement Fund investments; these funds will principally be provided to the CRF for the benefit of the pension holders.

In July, the United States Securities & Exchange Commission proposed new pay-to-play rules that would institutionalize Cuomo's Code of Conduct nationwide.

The investigation was conducted by Stacy Aronowitz, Deputy Chief of the Public Integrity Bureau, and Assistant Attorneys General Emily Bradford, Rachel Doft, Noah Falk, and Amy Tully, under the supervision of Ellen Nachtigall Biben, Special Deputy Attorney General for Public Integrity, and Linda A. Lacewell, Special Counsel.

Attorney General's Press Office: (212) 416-8060

nyag.pressoffice@ag.ny.gov

**A.G. Schneiderman & Comptroller DiNapoli
Announce Felony Charges Against Mount
Vernon Mayor Richard Thomas**

**A.G. Schneiderman Announces Takedown Of
Major Hudson Valley Narcotics Distribution
Ring In "Operation Yellow Brick Road"**

**A.G. Schneiderman Sues Tropical Breeze Car
Wash For Allegedly Cheating Over 150
Minimum Wage Employees Out Of More Than
\$540,000 In Wages And Benefits**

A.G. Schneiderman Announces FCC IG's Office Reverses Course After Pressure, Signals Intent To Assist With AG's Investigation Into Fake Comments Submitted During Net Neutrality Comment Process

A.G. Schneiderman Announces Settlement With Brooklyn Hospital To Ensure Rape Survivors Are No Longer Illegally Billed For Forensic Rape Examinations

[VIEW ALL VIDEOS](#)

Press Release Archive

- › [May 2018](#)
- › [April 2018](#)
- › [March 2018](#)
- › [February 2018](#)
- › [January 2018](#)
- › [December 2017](#)
- › [November 2017](#)

- > [October 2017](#)
- > [September 2017](#)
- > [August 2017](#)
- > [July 2017](#)
- > [June 2017](#)

[VIEW ALL PRESS RELEASE ARCHIVES](#)

Please enter a search term...