## SECURITIES AND EXCHANGE COMMISSION V. HENRY MORRIS, DAVID LOGLISCI, NOSEMOTE LLC, PANTIGO EMERGING LLC, AND PURPOSE LLC

**U.S. SECURITIES AND EXCHANGE COMMISSION**

**Litigation Release No. 20963 / March 19, 2009**

**Securities and Exchange Commission v. Henry Morris, David Loglisci, Nosemote LLC, Pantigo Emerging LLC, and Purpose LLC, 09 CV 2518 (S.D.N.Y.)**

**SEC Charges Former New York State Official and Top Political Advisor with Defrauding the NY State Retirement Fund in Multimillion Dollar Kickback Scheme**

The Securities and Exchange Commission today charged New York's former Deputy Comptroller and a top political advisor with extracting kickbacks from investment management firms seeking to manage the assets of New York's largest pension fund.

The complaint, filed in federal district court in Manhattan, names as defendants David Loglisci, former Deputy Comptroller and Chief Investment Officer of the New York State Common Retirement Fund, Henry "Hank" Morris, the top political advisor and chief fundraiser for former New York State Comptroller Alan Hevesi, and three entities controlled by Morris: Nosemote LLC, Pantigo Emerging LLC and Purpose LLC.

According to the complaint, the two men orchestrated a fraudulent scheme from 2003 through late 2006 that corrupted the integrity of the New York State Common Retirement Fund in order to enrich Morris as well as others with close ties to Morris and Loglisci.

Specifically, the SEC alleges that Loglisci caused the fund to invest billions of dollars with private equity firms and hedge fund managers who together paid millions of dollars in the form of sham "finder" or "placement agent" fees to obtain investments from the fund.

The SEC alleges that the payments to Morris and others were kickbacks that resulted from quid pro quo arrangements or that were otherwise fraudulently induced by the defendants. As laid out in the complaint, Loglisci ensured that investment managers who made the requisite payments to Morris — and other recipients designated by Morris and Loglisci — were rewarded with lucrative investment management contracts, while investment managers who declined to make such payments were denied fund business.

The SEC alleges that Loglisci repeatedly directed investment managers, who solicited him for investment business, to Morris or certain other individuals and signaled to the investment managers that they first needed to "hire" Morris as a finder or placement agent. Neither Morris nor anyone else who received the payments at issue allegedly performed legitimate placement or finder services for the investment management firms who made the payments.

In some cases, the investment managers had already allegedly hired a finder or placement agent of their own and were already negotiating an investment with Loglisci when they were told that they also needed to "hire" Morris or another individual. Once the sham finder fee was agreed upon, Loglisci approved the proposed deal with the investment management firm.

The SEC further asserts that Loglisci and Morris took steps to conceal these improper payments and quid pro quo arrangements from relevant members of the Comptroller's investment staff and the fund's Investment Advisory Committee. In some instances, the two men even arranged for investment managers to make payments to another individual who would then covertly funnel a portion of these sham fees to Morris, sometimes even without the knowledge of the investment managers. In addition, Morris allegedly paid the girlfriend of a high-ranking member of the Comptroller's staff nearly $100,000 in cash to ensure that the staff member would not ask questions or otherwise reveal the scheme to others.

The Complaint further alleges that Loglisci also personally benefited from his role in the scheme. In addition to receiving Morris's support for promotion to Deputy Comptroller, Loglisci obtained funding from Morris and the principal of a private equity firm for a low budget film that Loglisci and his brothers produced.

The SEC's complaint, which also charges three entities owned and controlled by Morris, alleges violations of Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5, and Sections 206(1) and 206(2) of the Investment Advisers Act of 1940. The complaint seeks permanent injunctions against future violations of the federal securities laws, disgorgement of ill-gotten gains with prejudgment interest, and civil money penalties.

The SEC acknowledges the assistance of the New York Attorney General's Office, which today filed related criminal charges against Morris and Loglisci. The Commission's investigation in this matter is ongoing.