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In Case You Missed It

ERB Chief Resigns, Admits Correra Loan

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ERB Chief Resigns, Admits Correra Loan

By Mike Gallagher
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The chairman of New Mexico's teacher pension fund, Bruce Malott, resigned Wednesday after a Journal interview concerning a \$350,000 loan he received from Anthony Correra — a Richardson insider whose son Marc shared in millions of dollars in finder's fees from the pension fund's investments.

Accompanied by four lawyers, an investigator and a publicist, Malott said during the interview that he borrowed the money from Anthony Correra in August 2006 to pay federal taxes of more than \$290,000 and state taxes of more than \$50,000 that he owed because of a failed tax shelter.

Malott said he had no idea at the time of the loan that Marc Correra had been getting fees paid by companies that landed investment deals with the ERB, which Malott has chaired since 2005, and the state Investment Council.

He said he asked Anthony Correra for the loan rather than sell personal assets or go

to a bank, because of their friendship.

He made the request after the IRS contended the limited liability company Malott and others were involved with was a tax avoidance mechanism and had no legitimate business purpose. There were no criminal charges or penalties, but Malott had to pay taxes on \$751,000 he had previously deducted as a loss.

The loan from Correra was a five-year note at 6 percent interest, with a balloon payment of nearly \$300,000 due next year. The loan was secured by a mortgage on Malott's Tanoan home in the name of a California woman who had a son out of wedlock with Correra.

Malott's \$2,500 monthly payments go to an account in the names of the woman and her son.

Malott said Gov. Bill Richardson, who reappointed him to the ERB board, had not been aware of the loan before Wednesday.

Malott resigned several hours after the interview. He said he notified the Governor's Office of the loan after the interview, but said the governor didn't ask him to step down. He said he tendered his resignation because he had grown tired of the controversy surrounding federal investigations and lawsuits dealing with how the ERB and SIC invested hundreds of millions of dollars.

Richardson's deputy chief of staff, Gilbert Gallegos, said Wednesday in an e-mail, "The governor did not know anything about the loan. He has accepted Mr. Malott's resignation."

Asked why he didn't make a public disclosure of the loan when news of Marc Correra's involvement in the investment scandal became public in the spring of 2009, Malott said, "I felt duped and embarrassed, but the proper authorities (Securities and Exchange Commission and FBI) were informed at that time. I think that was the important thing."

Malott said Wednesday that he considered it "outrageous" that Marc Correra shared in millions of dollars in what are known as third-party placement fees from securities firms that got investments from the ERB.

At the time he borrowed the money, Malott said, "Anthony never told me his son was doing business with the state."

Malott said he had only met Marc Correra on a few social occasions and thought he was in the hedge fund business.

"When I saw Marc's name on the spreadsheet of third-party marketers, I was outraged on several levels," Malott said. "I was outraged he received any fees at all."

Malott issued a statement after the Journal interview praising the hard work and accomplishments of the ERB staff.

"I am confident that the ERB's outstanding staff and board members now will move the fund forward to an even higher level, and ease any concerns our retirees may have about their fund."

Federal probes

The ERB and SIC investments have been the focus of criminal and regulatory review by federal investigators.

The finder's fees Marc Correra received have been of particular interest to the federal grand jury investigation since they became public in the spring of 2009. He shared in more than \$4 million in fees for investments made by the teachers retirement board. That total grows to more than \$22 million when state Investment Council business is added.

Aldus Equity Partners, a now-defunct Dallas firm, was an adviser to the state Investment Council and the ERB.

The company's founding partner, Saul Meyer, pleaded guilty to a felony charge in the New York scandal last year and said during his plea that his company made recommendations on New Mexico investments "that were pushed on me by politically connected individuals in New Mexico."

He also said he knew these "politically connected individuals or their associates stood to benefit financially or politically from the investments and that the investments were not necessarily in the best economic interest of New Mexico."

According to his plea, Meyer is cooperating with the investigations in New York and New Mexico.

A few weeks after Meyer's guilty plea, Gary Bland, New Mexico's state investment officer, resigned. He was also a member of the Educational Retirement Board.

Insiders

Both Malott and the elder Correra were insiders in Richardson's administration.

The governor reappointed Malott to the ERB and named him to the state Board of

Accountancy.

He and his accounting firm, Meyners & Co., served as treasurers to Richardson's gubernatorial and presidential campaigns, to which Malott also contributed.

Anthony Correra was a friend, political supporter and economic adviser to Richardson, often traveling around the country with the governor during his unsuccessful bid for the Democratic Party presidential nomination.

Marc Correra, whose wife served for a time as Richardson's international protocol officer, was in line to be a partner in a racino in Raton — as part of a winning bid selected by a Richardson-appointed board — until the investment scandal broke in the spring of 2009. Marc Correra subsequently was forced out and the racino is on hold.

Malott on Wednesday described his relationship with Anthony Correra as "very close, dear friends."

Anthony Correra's attorney, Jason Bowles, said his client never told Malott that Marc Correra was getting millions of dollars in finder's fees from firms getting state investments.

"Anthony never told him about Marc's business," Bowles said. "It was never his intent to secure favoritism from the loan. Bruce never knew about it."

Polygraph

Malott agreed to be interviewed by the Journal after the newspaper informed him that it had learned of the tax issue, which was on record in the U.S. Tax Court in Washington, D.C., and inquired about the mortgage and possible loan.

During the two-hour interview, Malott showed the Journal records that the monthly mortgage payments have been made to the California woman and her son.

Malott said the boy has suffered medical problems since early childhood and the mortgage payments were to help pay for his care.

Malott said he could have borrowed the money from a bank or liquidated assets, but decided to borrow from Correra — a former New York securities dealer who surrendered his license from the securities industry because of a civil settlement with the Securities and Exchange Commission alleging insider trading.

Malott said the only way he felt he could support his story that he was unaware of the younger Correra's involvement in state investments was to take a polygraph examination.

He shared the report of the exam, which says he was truthful in response to questions about not being aware of Marc Correra's third-party marketing until 2009 and that Anthony Correra didn't ask for anything in exchange for the mortgage other than repaying it.

The polygraph exam and related documents were subpoenaed by a federal grand jury in July.

Whistle-blower case

Malott was named in two civil lawsuits filed by a former ERB investment officer, Frank Foy, claiming corruption in the way state investments were made.

Malott strongly denied Foy's claims that he was involved in any wrongdoing.

Foy's claims gained credibility when an investigation in New York of a pension fund scandal there began to net some of the same firms and players in New Mexico.

Part of Foy's case hinges on state investments with Vanderbilt Financial Advisors, which has been dismissed and is on appeal.

Malott said in the interview that he had dinner with a Vanderbilt executive at Gary Bland's request and then asked ERB staff to look into Vanderbilt's pitch.

Both SIC and ERB invested in Vanderbilt funds, which ended up being worthless. The SIC lost \$50 million and the teacher fund lost \$40 million.

Malott said he didn't understand why Marc Correra would have received finder's fees in connection with the ERB investment because "he didn't do any work."

Those fees totaled about \$800,000.

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