

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

-against-

QUADRANGLE GROUP LLC and QUADRANGLE GP
INVESTORS II, L.P.,

Defendants.

10-CV- 1392

**FINAL CONSENT JUDGMENT AS TO DEFENDANTS
QUADRANGLE GROUP LLC AND QUADRANGLE GP INVESTORS II, L.P.**

Plaintiff Securities and Exchange Commission ("Commission") having filed a complaint ("Complaint") alleging, *inter alia*, that defendants Quadrangle Group LLC and Quadrangle GP Investors II, L.P. (collectively the "Defendants") violated Section 17(a)(2) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)(2)]; and the Defendants having executed the Consent annexed hereto and incorporated herein, having waived service of the Summons and Complaint and the entry of findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure, having admitted to the jurisdiction of this Court over them and over the subject matter of this action and, without admitting or denying the allegations contained in the Complaint, except as to jurisdiction, which are admitted, and having consented to the entry of this Final Consent Judgment As To Defendants Quadrangle Group LLC and Quadrangle GP Investors II, L.P. ("Final Judgment"), without further notice:

I.

IT IS ORDERED, ADJUDGED, AND DECREED that each of the Defendants and their agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently enjoined and restrained from, directly or indirectly, in the offer or sale of any security, by the use of any means or instruments of transportation or communication in interstate commerce or by the use of the mails, obtaining money or property by means of any untrue statement of a material fact or any omission of a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, in violation of Section 17(a)(2) of the Securities Act [15 U.S.C. § 77q(a)(2)].

II.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendants Quadrangle Group LLC and Quadrangle GP Investors II, L.P. shall pay a civil penalty in the total amount of \$5,000,000 pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)]. Defendants shall satisfy this obligation by paying \$5,000,000 within ten (10) business days after entry of this Final Judgment by certified check, bank cashier's check, or United States postal money order payable to the Securities and Exchange Commission and hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Mail Stop 0-3, Alexandria, Virginia 22312. The foregoing payment shall be accompanied by a cover letter identifying Defendants Quadrangle Group LLC and Quadrangle GP Investors II, L.P. as defendants in this action, setting forth the title and civil action number of this action and the name of this Court, and specifying that payment is made

pursuant to this Final Judgment. The Defendants shall simultaneously transmit photocopies of such payments and letters to the Commission's counsel in this action, Maureen F. Lewis, U.S. Securities and Exchange Commission, New York Regional Office, 3 World Financial Center, New York, New York 10281. The cover letters also shall contain the investigation name (*In The Matter of New York State Pension Funds*) and the case number assigned by the Commission staff (NY-7827). By making this payment, the Defendants relinquish all legal and equitable right, title, and interest in such funds, and no part of the funds shall be returned to the Defendants. Defendants Quadrangle Group LLC and Quadrangle GP Investors II, L.P. agree that they shall not seek or accept, directly or indirectly, reimbursement or indemnification from any source, including but not limited to payment made pursuant to any insurance policy, with regard to any civil penalty amounts that Defendants pay pursuant to the Final Judgment, regardless of whether such penalty amounts or any part thereof are added to a distribution fund or otherwise used for the benefit of investors. Defendants further agree that they shall not claim, assert, or apply for a tax deduction or tax credit with regard to any federal, state, or local tax for any penalty amounts that Defendants pay pursuant to the Final Judgment, regardless of whether such penalty amounts or any part thereof are added to a distribution fund or otherwise used for the benefit of investors.

III.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, pursuant to Rule 65(d) of the Federal Rules of Civil Procedure, this Final Judgment shall be binding upon each of the Defendants and their agents, servants, employees and attorneys, and upon those persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise.

IV.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that the provisions of the annexed Consent be, and the same hereby are, incorporated in this Final Judgment with the same force and effect as if fully set forth herein.

V.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this Court shall retain jurisdiction of this matter for all purposes, including, but not limited to, implementing and enforcing the terms and conditions of this Final Judgment.

VI.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that there being no just reason for delay, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, the Clerk is ordered to enter this Final Judgment forthwith and without further notice.

**CONSENT OF DEFENDANTS QUADRANGLE
GROUP LLC AND QUADRANGLE GP INVESTORS II, L.P.**

1. Defendants Quadrangle Group LLC and Quadrangle GP Investors II, L.P. (collectively the "Defendants"), being fully apprised of their rights, having had the opportunity to confer with legal counsel, having read and understood the terms of the annexed Final Consent Judgment As To Defendants Quadrangle Group LLC and Quadrangle GP Investors II, L.P. ("Final Judgment"), appear and admit to the jurisdiction of this Court over them and over the subject matter of this action, waives the entry of findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure and, without further notice, trial or argument, and without admitting or denying the allegations of the Complaint filed by plaintiff Securities and Exchange Commission ("Commission"), except as to jurisdiction, which are admitted, hereby consent to the entry of the annexed Final Judgment.

2. Defendants agree that this Consent shall be incorporated by reference in and made part of the Final Judgment to be presented to the Court for signature, filing and entry contemporaneously herewith.

3. Defendants waive the right, if any, to a jury trial and to appeal from the Final Judgment.

4. Defendants acknowledge that any violation of any of the terms of the Final Judgment may place them in contempt of this Court and subject them to civil or criminal sanctions.

5. Defendants acknowledge that they enter into this Consent voluntarily and that this Consent and the Final Judgment embody the entire understanding between them and the Commission. Defendants acknowledge and agree that this proceeding, and their Consent to the

entry of the Final Judgment, are for the purposes of resolving this civil action only, and that no tender, offer, promise, threat or representation of any kind has been made by the Commission or any member, officer, attorney, agent or representative thereof with regard to: (a) any criminal liability arising from the facts underlying this action; or (b) immunity from any such criminal liability.

6. Defendants acknowledge that they have been informed and understand that the Commission, at its sole and exclusive discretion, may refer, or grant access to, this matter or any information or evidence gathered in connection therewith or derived therefrom, to any person or entity having appropriate administrative, civil, or criminal jurisdiction, if the Commission has not already done so.

7. Defendants acknowledge that, in conformity with the provisions of 17 C.F.R. § 202.5(f), their Consent and the entry of the annexed Final Judgment do not resolve, affect or preclude any other proceeding that has been or may be brought against them or anyone else. Among other things, Defendants waive any right they may have to assert that, under the Double Jeopardy Clause of the Fifth Amendment to the United States Constitution, the relief sought or consented to in this civil action, including the seeking or imposition of any remedy or civil penalty herein, bars any criminal action, or that any criminal action bars the relief consented to in this action.

8. Defendants acknowledge that the Court's entry of a permanent injunction may have collateral consequences under federal or state law and the rules and regulations of self-regulatory organizations, licensing boards, and other regulatory organizations. Such collateral consequences include, but are not limited to, a statutory disqualification with respect to

membership or participation in, or association with a member of, a self-regulatory organization. This statutory disqualification has consequences that are separate from any sanction imposed in an administrative proceeding.

9. Defendants understand and agree to comply with the Commission's policy "not to permit a defendant or respondent to consent to a judgment or order that imposes a sanction while denying the allegation in the Complaint or order for proceedings," 17 C.F.R. § 202.5(c). In compliance with this policy, Defendants agree: (i) not to take any action or to make or permit to be made any public statement denying, directly or indirectly, any allegation in the Complaint or creating the impression that the Complaint is without factual basis; and (ii) that upon the filing of this Consent, Defendants hereby withdraw any papers filed in this action to the extent that they deny any allegation in the Complaint. If Defendants breach this agreement, the Commission may petition the Court to vacate the Final Judgment and restore this action to its active docket. Nothing in this provision affects Defendants': (a) testimonial obligations; or (b) right to take legal or factual positions in defense of litigation or other legal proceedings in which the Commission is not a party.

10. Defendants agree that this Court shall retain jurisdiction of this matter for purposes of implementing and enforcing the terms and conditions of the Final Judgment and for all other purposes.

11. Defendants hereby consent and agree that the annexed Final Judgment may be presented by the Commission to the Court for signature and entry without further notice or delay.

12. Defendants will not oppose the enforcement of the Final Judgment on the ground, if any exists, that it fails to comply with Rule 65(d) of the Federal Rules of Civil Procedure, and

hereby waive any objection based thereon.

13. Defendants waive service of the Final Judgment and agree that entry of the Final Judgment by the Court and filing with the Clerk of the Court will constitute notice to them of its terms and conditions. Defendants agree to execute and provide to the Commission a written declaration pursuant to 28 U.S.C. § 1746 acknowledging their receipt of the Final Judgment no later than twenty (20) days after a copy of the Final Judgment has been delivered to their counsel, Richard A. Sauber, Esq., Robbins, Russell, Englert, Orseck, Untereiner & Sauber LLP, 1801 K Street, N.W., Suite 401, Washington, D.C. 20006.

14. Defendants hereby waive any rights under the Equal Access to Justice Act, the Small Business Regulatory Enforcement Fairness Act of 1996, or any other provision of law to seek from the United States, or any agency, or any official of the United States acting in his or her official capacity, directly or indirectly, reimbursement of attorney's fees or other fees, expenses, or costs expended by Defendants to defend against this action. For these purposes, Defendants agree that they are not the prevailing party in this action since the parties have reached a good faith settlement.

15. In connection with this action and any related judicial or administrative proceeding or investigation commenced by the Commission or to which the Commission is a party, the Defendants shall (i) at the Commission staff's request upon reasonable notice, and without service of a subpoena, produce documents and make its directors, officers, partners, members and employees available for deposition, testimony, or interviews relating to the subject matter of any such proceeding or investigation at such times and places as the Commission staff designates; (ii) accept service by mail, private delivery service, email or facsimile transmission

of notices or subpoenas issued by the Commission for documents or testimony at depositions, hearings, or trials, or in connection with any related investigation by the Commission; (iii) appoint their attorney, Richard A. Sauber, Esq., as an agent to receive service of such notices and subpoenas; (iv) with respect to such notices and subpoenas, waive the territorial limits on service contained in Rule 45 of the Federal Rules of Civil Procedure and any applicable local rules, provided that the party requesting the testimony reimburses the Defendants' travel, lodging, and subsistence expenses at the then-prevailing U.S. Government per diem rates; and (v) consent to personal jurisdiction over them in any United States District Court for purposes of enforcing any such subpoena.

16. Defendants agree that they shall not seek or accept, directly or indirectly, reimbursement or indemnification from any source, including but not limited to payment made pursuant to any insurance policy, with regard to any civil penalty amount that Defendants pay pursuant to the Final Judgment, regardless of whether such penalty amounts or any part thereof are added to a distribution fund or otherwise used for the benefit of investors. Defendants further agree that they shall not claim, assert, or apply for a tax deduction or tax credit with regard to any federal, state, or local tax for any penalty amounts that Defendants pay pursuant to the Final Judgment, regardless of whether such penalty amounts or any part thereof are added to a distribution fund or otherwise used for the benefit of investors.

Dated: April 14, 2010

Quadrangle Group LLC

By: [Signature]
Name/Title of Authorized Representative Counsel

On April 14th, 2010, Richard Sauber a person known to me, personally appeared before me and acknowledged executing the foregoing Consent with full authority to do so on behalf of Quadrangle Group LLC as its Counsel.

CATHERINE J. DEANE
Notary Public, State of New York
No. 01DE6052354
Qualified in Queens County
Commission Expires December 11, 2010

Catherine J. Deane
Notary Public
Commission expires: December 11, 2010

Quadrangle GP Investors II, L.P.

By: [Signature]
Name/Title of Authorized Representative Counsel

On April 14th, 2010, Richard Sauber a person known to me, personally appeared before me and acknowledged executing the foregoing Consent with full authority to do so on behalf of Quadrangle GP Investors II, L.P. as its Counsel.

CATHERINE J. DEANE
Notary Public, State of New York
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Commission Expires December 11, 2010

Catherine J. Deane
Notary Public
Commission expires: December 11, 2010

SO ORDERED:

UNITED STATES DISTRICT JUDGE