

# New York Attorney General Files Lawsuit Against Private Equity Fund Manager

New York Attorney General Letitia James has filed a lawsuit against Laurence G. Allen and the various corporate entities he controls for defrauding investors and misappropriating more than \$13 million to enrich himself and his companies between 2008 and 2018.

“This lawsuit highlights the greed and hubris a single individual presented by allegedly using other people’s savings as his personal piggy bank and as a tool to prop up his failing businesses,” said James. “We will continue to use every available resource at our disposal to pursue all who attempt to abuse and manipulate the system because no one is above the law.”

As alleged in the complaint, the action revolves around Allen’s management of a private equity fund, ACP X LP (ACP), which launched in 2004 to purchase interests in other private equity funds at a discount on the secondary market.

Investors were told that ACP would identify investment targets through, among other avenues, a small broker-dealer, which Allen also controlled through his company NYPPEX Holdings LLC.

But when NYPPEX started to lose money, Allen allegedly began funneling investor money from the fund into NYPPEX and, in turn, into his own pockets.

The complaint alleges that between 2008 and 2018, Allen invested approximately \$5.7 million of the fund’s assets into NYPPEX, while during the same period, pocketed the exact same amount in NYPPEX salary.

He is also accused of misappropriating \$3.4 million in carried interest and improperly paying for the day-to-day business expenses of NYPPEX with ACP funds – both of which constituted direct violations of the terms of ACP’s offering documents.

To cover his tracks, Allen allegedly fabricated certifications that falsely represented that investments in NYPPEX had been vetted and endorsed by an investment committee, when in fact no such committee existed.

The complaint further asserts that Allen created “unreasonable and improbable” valuations for NYPPEX that artificially inflated the overall value of the fund, which he then reported to investors.

More than 15 years after the fund launched, none of the current ACP investors have received the full return of their cumulative \$17 million capital contributions or any portion of the more than \$10 million in accrued, but unpaid preferred return due to them.

In December 2018, obtained an order to restrain Allen from further misappropriating ACP’s assets, however, in the months after the order went into effect, Allen allegedly attempted to raise funds for NYPPEX from outside investors without disclosing the ongoing investigation.

The office of Attorney General is seeking a preliminary injunction to continue the restrictions contained in the order from last December, and additionally seeks the appointment of a receiver to take control of ACP’s assets.

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