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Recruiter Sues Blackstone Over Fee

An industry headhunter is suing **Blackstone Group** for \$5 million, claiming the company's alternative-investments unit paid a competing recruiter for a high-level search that he in fact conducted.

In his lawsuit, **Steve Diamond** insists he was the driving force behind the May 2004 hiring of **Bruce Amlicke** as chief investment officer of Blackstone Alternative Asset Management. However, Blackstone paid **PrinceGoldsmith**, a New York recruiting firm, for its services in the Amlicke hiring.

In July 2004, Diamond, who runs **S. Diamond Group** of Fairfield, Conn., sued Blackstone in New York State Supreme Court seeking damages plus the commission of \$1.3 million, or 25%, of Amlicke's first-year salary. The discovery phase of the case is now winding down, and Diamond's lawyer **Richard A. Roth**, is insisting that it's headed for trial.

Blackstone called the case "completely specious," and said that the court would end up dismissing all of Diamond's claims. A past claim that Diamond filed against **J. Tomilson Hill**, Blackstone's vice chairman and head of its alternative-asset group, was dismissed in December 2004.

Diamond alleges that he and Hill talked about finding a chief investment officer in June 2003. At issue is whether Diamond had a legally binding agreement to get paid for the work, despite the absence of a written contract.

Diamond's lawsuit details how he and Hill discussed hiring a chief investment officer in June 2003 and how they talked about pursuing UBS' co-chief investment officers **Michael Welch** and Amlicke.

Diamond's complaint said Welch agreed to meet with Hill, but then backed out because word got out that he was looking for a job. Hill asked Diamond for Amlicke's resume and the terms of the investment specialist's compensation, according to Diamond's filing.

But Hill subsequently told Diamond that while he was interested in Amlicke, he had other priorities and intended to put off the hiring for a while. Hill and Diamond had subsequent discussions through e-mails about Blackstone's hiring plans, and in May 2004, Diamond learned that the asset-management giant had hired Amlicke.

Unlike Diamond, who works on a contingency basis, PrinceGoldsmith charges an upfront retainer. It's common for contingency firms to work without a contract. "You don't need a written contract to be liable," said **Roth**.

Diamond's one-man operation and the larger PrinceGoldsmith are well known recruiters in the hedge fund industry. PrinceGoldsmith, which is among the biggest executive recruiter's in terms of revenues, conducted the high-profile search for a president of **Harvard University's** endowment. That search resulted in last month's hiring of **Mohammed A. El-Erian**, who previously ran \$28 billion for **Pacific Investment Management**.

Diamond's big search this year involved risk-management expert **Andrew Weisman**, who left hedge fund **Stratavarius Capital** to perform risk-management and research duties under **Ben Weston**, who is melding **Merrill Lynch's** disparate fund of funds units. Weisman, according to the court filing, had interviewed for the Blackstone job that Amlicke eventually landed.