

# Steward Partners founder claims firm's current leaders unlawfully ousted him



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**Jake Martin** / 30 January 2020, 12:35

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**Mike Maurer was retaliated against for requesting an investigation into allegations that firm leaders engaged in inappropriate workplace conduct, a new lawsuit claims. He is suing to be reinstated at Steward's helm, nearly three years after his departure.**

The founder of Steward Partners, Mike Maurer, claims members of the firm's current leadership unlawfully pushed him out of the company in 2017 and engaged in other illegal activity before and after his ouster.

Maurer served as managing member and executive chairman of Steward, an independent RIA platform associated with Raymond James, from the time of its launch in 2013 to his not-so-amicable exit less than four years later.

On Wednesday, Maurer filed a statement of claim with the American Arbitration Association against the firm, chairman Michael McMahon, chief executive Jim Gold, and president and chief operating officer Hy Saporta. Among other remedies, Maurer is seeking to be reinstated at the helm of the company.

According to the statement, a copy of which was obtained by Citywire, Maurer was 'unlawfully expelled' from Steward and stripped of 6.1 million units in the company, which he claims are valued at nearly \$60m. This was after Maurer had directed McMahon, in his capacity as chairman, to conduct an investigation into various allegations that Gold and Saporta were engaging in inappropriate workplace behavior and business practices.

'Respondents subsequently initiated multiple frivolous litigations against Mr. Maurer and his prior counsel for the purpose of preempting this action to recover his units,' the statement of claim said. 'Shortly after expelling him, Respondents enriched themselves through internal tender offers and capital raises from which Mr. Maurer, the founder and largest shareholder of the company, was entirely excluded.'

Steward's Washington, DC-based attorney Ken Willner, with law firm Paul Hastings, provided the following statement to Citywire on Thursday: 'We just received the complaint this morning but, on first review, it seems to be a rehashing of some claims that were brought in 2017 and already dismissed in arbitration. The allegations are defamatory. Mr. Maurer's claims were investigated when first brought and found to be meritless. Steward Partners is confident the claims will be dismissed.'

Maurer's New York City-based attorney, Brian Lax of Lax & Neville, told Citywire that the new complaint is not a 'rehashing' of prior litigation. He said arbitrators 'never got anywhere near the merits' of Maurer's previous allegations.

'The complaint clearly alleged that the company was stolen by the respondents and there was no consideration given to Mr. Maurer or his ownership in the firm,' Lax said.

Starting in February 2013, Maurer negotiated agreements with Raymond James that reduced operating costs, increased revenue sharing and doled out 'multimillion dollar upfront recruiting packages ordinarily available only at the largest financial firms,' Maurer's statement said. Raymond James' financing for Steward was personally guaranteed by Maurer — as were about 75 loans, leases and recruiting packages given to advisors, to the tune of \$60m.

Steward is still relying on loan agreements that currently use Maurer's name, and equity registered in his name, to finance the company, according to the statement.

Maurer appointed the firm's board, hired its first employees and picked its leaders — including each of the individual respondents to his complaint. In the statement, he claimed Gold, Saporta and McMahon had no involvement in the firm's core business plan and were not 'significant' participants in the negotiations with Raymond James.

Gold was hired in July 2013 — 'after he was fired by Morgan Stanley, failed to find another job, and asked Mr. Maurer for his help,' according to the statement. McMahon was recruited in August of that year on Gold's recommendation, allegedly without disclosing their 'close personal relationship'. Saporta was not hired until February 2014.

'Mr. Maurer brought all three into the company that he conceived, founded and built, and freely gave them a share in it,' the statement said. 'In return, they stole it from him.'

As outlined in the statement, Maurer owned 30 million units, or 98% of Steward, in 2013. The next year, he gave 19.1 million units to his partners, including Gold and Saporta, who received another 4.8 million units in 2015 and 2016.

Steward currently has over \$15bn in assets under management, \$100m in annual revenue, about 120 advisors, and more than 200 employees across more than 20 offices, per the statement.

Maurer is seeking the full value of the 6.1 million shares he claimed were fraudulently misappropriated from him in breach of the company agreement, plus interest. He is also requesting declaratory judgment that the 2015 operating agreement between him and Steward remains in effect, rather than the 2016 version, which would effectively put Maurer back in control of the firm as managing member and chief executive.

'I have no comment at this time,' Maurer told Citywire.

Maurer, in his statement, claimed his expulsion was 'wholly pretextual' and violated Steward's company agreement. He further claimed that the respondents amended the agreement to gain control over the company in November of 2016, at a time when Maurer was 'incapacitated by grief and illness' following the illness and death of his father.

'Mr. Maurer's "expulsion for cause" was groundless even under the amendment, but without the amendment it would have been impossible,' the statement continued.

In 2016, Maurer's father entered hospice with renal cancer, leading Maurer to devote a 'significant' amount of time to his care throughout the year. He entrusted Gold, McMahon and Saporta with additional responsibilities at Steward in the meantime, according to the statement.

Over the course of the year, however, Maurer became increasingly concerned by reports of Gold's conduct in the office, 'particularly toward female employees,' the statement said. On September 10, 2016, Maurer sent an email to McMahon and arranged a phone call for the next day to address his concerns.

Maurer, per the statement, outlined some main allegations for McMahon to investigate: that Gold had an alcohol abuse problem that interfered with his work and caused him to engage in 'abusive behavior' toward the firm's officers and employees; that Gold sent racist, sexually inappropriate and anti-LGBTQ texts, emails and photos to 'a large number of employees' who reported to him; and that Gold used anti-Semitic and racist slurs in the presence of employees.

Maurer also shared concerns that Gold 'made sexual comments' to female employees, 'required' them to massage his back, viewed 'adult content' in front of them, and referred to himself as 'Big Daddy' when communicating with them.

'As well as creating a hostile work environment, Mr. Maurer believed this conduct would inevitably expose the company to significant liability,' the statement said.

Gold did not respond to a request for comment.

Maurer also allegedly told McMahon that Saporta 'routinely' forged signatures of other Steward executives and managers, including Maurer, on Steward documents without their knowledge or consent — including loan agreements as well as personal guarantee documents for a government backed SBA loan with Columbia Bank.

The statement continued: 'Mr. Saporta also appeared to have failed to keep accurate books and records on numerous occasions, stolen software programs from Microsoft, which he installed on all Steward's computers, falsified tax records and knowingly concealed material information from Steward Directors.'

Saporta did not respond to a request for comment.

Maurer also claimed McMahon 'took no steps' to investigate or remediate the issues he raised. 'Instead, as Mr. Maurer would not learn until months later, Mr. McMahon immediately informed Mr. Gold and Mr. Saporta,' the statement said. 'Mr. McMahon, Mr. Saporta and Mr. Gold then took steps to push Mr. Maurer out of the company.'

McMahon did not respond to a request for comment.

The death of Maurer's father on October 31, 2016, provided them an opening to do just that, the statement said.

Maurer has Bipolar II disorder, 'a fact about which he had been transparent' with Steward's leadership team and which is managed by medication, according to the statement. He said his father's death triggered a 'serious episode' of depression and insomnia. Thus, Maurer sought time to grieve and recover.

Instead, less than two weeks after Maurer's father's funeral, Saporta allegedly gave Maurer a copy of Steward's 2016 operating agreement — 'which contained significant changes that had never previously been included in any draft reviewed by Mr. Maurer' — and demanded that he immediately sign it.

'Mr. Maurer, in a highly compromised emotional state, attempted to resist, but was eventually browbeaten into executing the draft,' the statement said. 'He marked the signature line "UD," signifying that he was under duress.'

In prior litigation, Steward denied that Maurer was under duress and denied that it altered his signature to the 2016 operating agreement to eliminate the "UD." In his statement, Maurer said Steward has failed to answer in any prior litigation why, except for duress, Maurer would agree to hand the company over to the respondents for no consideration.

Maurer claims that on December 13, 2016, at a luncheon following the funeral of a Steward colleague, Gold and Saporta invited him to step out for a talk. Over coffee at a nearby Starbucks, Gold and Saporta allegedly told Maurer they expected him to 'leave' Steward and then began proposing terms of a separation.

'When Mr. Maurer objected that Mr. Gold and Mr. Saporta had no authority to remove him from the company, Mr. Gold informed him that Mr. McMahon had disclosed Mr. Maurer's allegations,' the statement said.

The next day, Maurer was given an ultimatum by email: accept a title with Steward as 'Founder — Non-Executive Chairman' with no active role in the

company, or be removed from the firm altogether. He had 48 hours to make a decision.

On December, 15, 2016, Maurer emailed three members of Steward's board that he considered 'neutral' — Gary Miller, Janet Robinson and Daniel Polk — with an outline of his concerns about alleged misconduct. He also included a copy of Gold's offer to him.

Five days later, Maurer was informed that a 'special committee' of the board would 'investigate' his claims against McMahon, Gold and Saporta. But Maurer claims no such investigation took place and that he was never interviewed or asked to provide documentation.

According to the statement, on January 23, 2017, during an unscheduled board meeting called by McMahon, Maurer was asked to speak for 30 minutes and then was informed that an 'executive committee' would hold a separate session to discuss issues raised by Maurer.

Maurer claimed he was then asked to drop off the call and told that they would report back to him when the call ended. About an hour later, per the statement, Maurer was informed by Steward's general counsel John Scanlon that the firm's board voted to 'separate' with Maurer. In turn, Maurer requested an explanation in writing of what the board meant by 'separate' and on what grounds.

Scanlon sent an email to Maurer the next day with a summary of issues he said the board had discussed during the call 'that served as the basis' for the board's decision.

By Scanlon's account, the board found that Maurer had 'shown bad judgment' with certain compensation packages. He said the board also discussed Maurer's 'irresponsible, erratic and unprofessional' behavior as well as 'sporadic and disruptive' involvement in the company.

'Mr. Maurer's participation in meetings between recruits and Raymond James were so disruptive that Raymond James eventually asked that Mr. Maurer no longer be permitted to participate in such meetings,' Scanlon wrote, as an example of Maurer's conduct that the board considered.

Scanlon, in the email, said the board also discussed Maurer allegedly bringing weapons into the office and displaying them to employees.

Maurer in his statement said he was not informed of any accusations against him prior to his expulsion, that he was given no opportunity to respond and that, to his knowledge, he was never the subject of any investigation.



Additionally, his Forms U-4 and U-5 filed by Steward and Raymond James do not disclose an investigation or any purported cause.

Maurer's exit was closely followed by 'several liquidity events' that generated millions of dollars for the firm's remaining members, the statement said.

According to Maurer, he had retained counsel and sought to negotiate an 'amicable' resolution with Steward after the March 3, 2017 effective date of his expulsion. On April 19, 2017, however, Steward filed a 'preemptive' lawsuit against Maurer for defamation. The case was dismissed voluntarily and without prejudice against Maurer by the end of May that year.

The statement said that Steward 'buried' Maurer in frivolous litigation until he was 'mentally and financially exhausted' and reduced to representing himself.

Maurer also claims Steward was prohibited from replacing him without the written permission of its lenders and that these agreements 'superseded any and all' Steward operating agreements. He said Steward concealed Maurer's exit from lenders and continued to rely on his personal guarantees, collateral and reputation for nearly two years after the firm expelled him.

In March 2019, Steward received \$50m from The Cynosure Equity Group in exchange for about 5.8 million units of the firm. The next month, Steward made a tender offer of \$25m. In or around May 2019, the statement said, Gold made \$4.5m for 13% of his equity that he offered in the tender, while Saporta received about \$3.2m.