OFFICE OF
STATE TREASURER
DENISE L. NAPPIER

NEWS

FOR IMMEDIATE RELEASE
Monday, September 27, 1999

TREASURER NAPPIER INITIATES LEGAL REVIEW, WILL SEEK REPARATIONS OF FUNDS INVOLVED IN SILVESTER SCHEMES; ORDERS FULL DISCLOSURE OF FINDERS FEES PAID BY FIRMS

COLLEGIATE CAPITAL TO BE REMOVED FROM ROLE WITH STATE'S EDUCATION SAVINGS PROGRAM

(Hartford) -- Connecticut State Treasurer Denise L. Nappier today announced a series of actions designed to ensure the integrity of the state pension investment process and the administration of the state's college savings program.

The Treasurer's actions come just days after former treasurer Paul Silvester pleaded guilty to federal charges of racketeering and money-laundering and after information outlining those activities were released by the United States Attorney as part of a continuing investigation into corruption during the previous administration.

Nappier announced that she has:

1. Initiated efforts to identify and seek reparations from the investment funds involved in the schemes outlined by the U.S. Attorney, coupled with a full legal review of the state pension fund's participation in investment funds involved in the Silvester schemes to be coordinated with the Office of the Attorney General;

2. Begun notifying every investment services firm currently doing business with the State Treasurer's Office that they must immediately disclose any and all finders fees paid in conjunction with state pension funds and that such disclosure will be the policy regarding future contracts, effective immediately;

3. Completed action that will remove Collegiate Capital as administrator of the state's higher education trust within 45 days, and removed the firm's president, Christopher Stack, from any and all responsibilities in the oversight of the trust effective immediately;

4. Called on the Elections Enforcement Commission to review campaign contributions during the 1998 election cycle, especially as they pertain to businesses or individuals

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that conduct business with the State Treasurer's Office, in light of admissions of money laundering by the former Treasurer to benefit his campaign.

"I am pursuing every available recourse to make certain that those who participated in these illegal schemes will not do business with the Connecticut State Treasury," Nappier said. "My standard is quite clear: if an individual or business knowingly played a part in any of these illegal schemes, their days of doing business with this office are over. "

"Based upon this new information from the U.S. Attorney, we are today beginning a legal review, led by my General Counsel, into whether additional legal remedies may now be available to us and in the best interest of the pension fund. I have asked the Attorney General's office to assist us in this review and in vigorously pursuing all appropriate avenues," Nappier said.

Nappier said that if it is determined that any of the investment decisions made by former treasurer Silvester were illegal and constitute a breach of the contractual agreement between the investment advisor and the State, she would "seek to recapture any and all compensation paid to these advisors or seek other forms of reparation."

Nappier will also be sending a letter this week to all investment services firms currently doing business with the Treasurer's Office seeking information regarding finders fees they have paid. Nappier said that investment firms seeking to do business with her office "should be on notice: using finders fees as a vehicle for influence peddling is a practice I will not tolerate.

"We are making it clear that anyone who wants to do business with my office must fully disclose at the time the Treasurer's Office solicits proposals for advisory services or prior to awarding the contract -- whichever comes first -- whether any finders' fees or marketing fees are to be paid to anyone as part of any transaction related to doing business with the Treasurer's Office." Nappier noted that while finders fees are legal as a component of an investment managers overall expenses, such fees will be scrutinized with the objective being to reduce excess payments and restrict the use of such payments in the future.

Regarding the Connecticut Higher Education Trust (CHET), Nappier announced that within 45 days, the contract for administrative management of the CHET program will be assigned to a new administrative manager. In removing Stack, and ultimately Collegiate, Nappier stressed that investments in the Trust are not the subject of any ongoing federal investigation and that account holders' money is safe and well protected. The plan to replace Collegiate Capital will:

- Immediately increase oversight by the Treasurer's Office for the next 45 days until a new administrative manager can be hired to replace Collegiate;
- Assure that Christopher Stack, President of Collegiate Capital, will step aside and have absolutely no responsibility or involvement in management of the CHET program, effective immediately;

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- No decision affecting CHET can be made during this period without the agreement of the Treasurer's Office, and all the expert money management firms and other companies with responsibilities for other aspects of the administration of the program will remain in place;

Nappier said that the decision to find a replacement management firm for Collegiate was prompted by her concerns about the firms ability to handle administrative aspects of the program and ensure it's future growth as an investment vehicle for Connecticut families. The action announced today was initiated by Treasurer Nappier on September 8, in accordance with provisions of the five-year contract the firm signed with former Treasurer Silvester in late 1997. During the transition period, the Treasurer's Office will work on a day-to-day basis with Kevin Wasp, an Executive Vice President at Collegiate as the company is phased out of the program.

In communication with the offices of Attorney General Richard Blumenthal and in a letter to Elections Enforcement Commission Executive Director Jeffrey Garfield, Nappier raises a series of critical issues related to state election and securities law and the implication of illegal acts committed during the Silvester campaign on ongoing compliance by the Treasurer's Office with state law. Key among those issues are violations of law that could permit the Treasurer to pursue recapturing fees paid to entities or individuals that participated in the illegal schemes.

Nappier said she will also be informing the State Ethics Commission and the State's Attorneys Office of her actions so that they may monitor the issues under their jurisdiction and consider whether their involvement is warranted at this time.

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