



OFFICE OF
STATE TREASURER
DENISE L. NAPIER

NEWS

FOR IMMEDIATE RELEASE
Wednesday, October 20, 1999

NAPIER REVEALS COMPENSATION PAID BY FIRMS IN RESPONSE TO HER REQUEST FOR PUBLIC DISCLOSURE

TREASURER SEEKS TIGHTENING OF ETHICS, SECURITIES LAWS TO PREVENT ABUSE IN FUTURE, REPARATIONS MAY BE SOUGHT FROM FIRMS

(Hartford) -- Connecticut State Treasurer Denise L. Nappier today released information provided to her office regarding the payment of finder's fees and other compensation by firms doing business with the Treasurer's Office since 1991.

The preliminary data revealed today indicated:

- Of 255 firms that received the request from the Treasurer's Office regarding disclosure of finders fees, 204 firms have responded as of Wednesday morning, a response rate of 80 percent;
- A total of 37 firms had fee arrangements between 1991 and 1999, excluding those that paid fees to employees and guaranteed investment contracts. The total number of firms that did not pay fees is 164, or 80 percent.

"This is not the end of our review. We will continue to analyze the material that has been provided, as well as other documents related to our business relationships. In some cases, we will request that vendors provide us with underlying documents that will give us additional information regarding an individual or entity that received a payment or the specific work that was done for the fee that was received," Nappier said.

Regarding the firms that have yet to comply with the Treasurer's request for disclosure, Nappier said she expects to receive answers.

"I do not intend to do business with these companies if they refuse to comply. We will be putting them on notice. Nothing short of a full and complete response will do," Nappier said. She noted that many of those yet to respond have indicated they would be doing so; some have encountered delays due to unavailability of data or delays in receiving the initial request.

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Only one firm, Keystone Ventures, a private equity partnership entered into by former Treasurer Silvester, has refused to respond. Another, Hicks Muse Tate & Furst Equity Fund, failed to provide details of their compensation arrangements.

"I would again urge every company to provide us with this information. And let me underscore that request by reiterating that I intend to carefully review with the Attorney General every legal recourse available to me both in regards to non-compliance with our request, and specific finder's fee payments that have now been revealed," Nappier said.

Nappier noted that the information disclosed, simply by virtue of being disclosed, should not be considered to reflect unlawful, improper or unethical actions. In addition, she pointed out that the information released is the firms' representation of whether and on what basis compensation was paid. The Treasurer said that although her office provided a clear explanation of the information that was sought, there were varied definitions used by respondents that produced some variation in disclosure. "We will be working with those firms to ensure complete disclosure," Nappier said.

"The disclosures provided thus far indicate the kind of abuse that was a key element of the Silvester scandal does not appear to have been widespread in the Treasurer's office during the past decade. There are, however, issues that merit additional scrutiny. Our analysis of this material will continue."

Nappier announced that she will:

- Provide copies of the complete list to all oversight and investigatory organizations, including the State Elections Enforcement Commission, State Ethics Commission, Investment Advisory Council and the Office of the United States Attorney. Copies will also be provided to legislative leaders and the co-chairs of the legislative committees with appropriate oversight jurisdiction.
- Include this data as part of the ongoing legal review, being coordinated with the Attorney General's Office, into whether new legal remedies – including seeking reparations or severance of contracts -- may now be available to the State Treasurer's Office and in the best interest of the pension fund.
- Ask the State Ethics Commission to make a formal determination as to how the state's administrative lobbying law applies to individuals and firms that receive payments for providing marketing services for investment products.
- Ask the leadership of the General Assembly to have the Banks Committee review compliance with securities law and directives issued under the Connecticut Securities Law and Business Opportunities Act regarding registration of individuals effecting transactions in the securities industry.

"It is essential that any ambiguity in the ethics law and state securities law be eliminated, and that it is perfectly clear who must register and under what circumstances,

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and precisely what practices are illegal in our state," Nappier said. "There appears to be some uncertainty about exceptions and enforcement regarding the present laws, and how they apply to this industry. Ignorance of the law is no excuse, but I believe it is incumbent upon us in government to do everything we can to be sure that everyone understands the rules."

Nappier added that she would work with the Ethics Commission, Elections Enforcement Commission and members of the General Assembly to make any revisions that are necessary to "ensure compliance and clarity in state law."

On September 30, Treasurer Nappier ordered all companies doing business with the Treasurer's Office to disclose to whom they had paid compensation. The request came after former treasurer Paul Silvester pleaded guilty to federal charges of racketeering and money-laundering and after information outlining those activities -- including the use of finder's fees as part of the schemes -- were released by the United States Attorney as part of a continuing investigation into corruption during the previous administration. Nappier also noted that such disclosure will be the policy regarding future contracts with the Treasurer's Office, effective immediately.

"There should be no mistaking my intentions: any firm that knowingly participated in the illegal schemes of the former Treasurer is a firm I no longer want to do business with. And finders fees used as a vehicle for influence peddling are banned from my office, period. It is absolutely essential that we restore public confidence in this office, and in the way in which government operates in Connecticut. I will not be deterred from that mission and that responsibility," Nappier concluded.