



**OFFICE OF
STATE TREASURER
DENISE L. NAPPIER**

NEWS

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NAPPIER ANNOUNCES TRIUMPH CAPITAL TO RETURN \$125.2 MILLION IN CASH AND ASSETS TO STATE PENSION FUND

Money is first return of assets to pension fund in Silvester scandal

For the first time since the scandal involving former State Treasurer Paul Silvester unfolded nearly two years ago, money which left the Treasurer's Office at Silvester's direction is on its way back to the state pension fund.

State Treasurer Denise Nappier announced today that Triumph Capital, a private equity investment firm which received \$200 million in pension fund assets from Silvester's office in the days following his 1998 election defeat, would return \$125.2 million in cash and assets to the pension fund.

The announcement comes at the conclusion of litigation initiated by the Civil Division of the Office of United States Attorney for Connecticut, in conjunction with the State Treasurer's Office, last October. The Civil Division of the U.S. Attorney's Office formally notified the Treasurer's Office of the settlement of the litigation today.

"While it is not possible to undo or rewrite the final chapter of the Silvester tenure, we have substantially minimized the potential risk to the fund from this investment decision by the former treasurer," Nappier said. "We have resolved 100% of the concerns which motivated our action at the outset of this litigation."

Triumph Capital, based in Boston, and certain of its principals are facing a federal indictment. The criminal case, and the investigation by the U.S. Attorney's Office into the Silvester scandal, continue.

"My primary obligation as principal fiduciary is to preserve the assets of the pension fund, and I pursued recovery of the Triumph assets vigorously. A return of funds and other assets at this level is unprecedented in Connecticut, and highly unusual within the industry. We will be getting back every penny possible, consistent with binding legal agreements and the best interest of pension fund beneficiaries," Nappier said. "And, Triumph will now face an unprecedented level of oversight and monitoring of all remaining funds."

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Under the agreement, Triumph will immediately transfer \$125.2 million in cash and assets directly to the state pension fund. Triumph will maintain indirect control over \$75.2 million in assets from this investment, with Harch Capital managing the bulk of those assets and Sovereign Financial Services monitoring the balance. Had the Treasurer's Office not acted as expeditiously regarding those assets, Nappier said, the pension fund risked losing a substantial portion – perhaps nearly two-thirds – of those assets.

In the days following former Treasurer Silvester's defeat in the November 1998 Election, he entered into an agreement with an affiliate of Triumph Capital Group, investing \$200 million in a limited partnership (Tri-Conn II). Upon review, provisions in the terms of that agreement caused Nappier, as well as the membership of the state's Investment Advisory Council, great concern.

Nappier had expressed a desire last summer to initiate litigation to protect the interests of the pension fund regarding assets managed by Triumph, after efforts to have Triumph roll back the state's commitment and return funds proved unsuccessful. Working with the civil division of the U.S. Attorney's Office, a temporary restraining order was obtained in October – which has remained in place – along with the appointment of a temporary receiver. Negotiations regarding the return and protection of pension fund assets continued as the court's order was renewed.

"The terms of this agreement now in place are virtually identical to the terms I proposed to Triumph last August, prior to the criminal indictments by the United States Attorney's Office and the initiation of civil action by that office based upon the serious concerns the Treasurer's Office had expressed," Nappier said.

Nappier noted that the pension fund has received in excess of \$25 million in returns from the Tri-Conn II investment to date. Thus, of the initial Silvester investment of \$200 million in November 1998, 75% of that amount is "back in the direct jurisdiction of the Treasury," Nappier said. "The remaining portion will be subject to intensified scrutiny and ongoing oversight."

To conclude this agreement, the Treasurer's Office agreed not to pursue further legal action against Triumph regarding this investment and the Justice Department has withdrawn its civil action. The criminal case is continuing. Nappier expressed her appreciation to the Civil Division of the U.S. Attorney's Office and the Connecticut Attorney General's Office for their assistance.