

News Release



U.S. Department of Labor
Office of Public Affairs
Washington, D.C.
USDL 04-208-NAT

For Immediate Release
February 11, 2004
Contact: Gloria Della
Phone: (202) 693-8664

Labor Department Sues Trustees Of Union Health Plans Over Investments With Oregon Investment Manager CCL

WASHINGTON—The U.S. Department of Labor has sued the trustees of two union-sponsored health plans in Colorado for imprudently investing plan assets in investments with Capital Consultants LLC (CCL). The department contends the investments caused the plans to suffer substantial losses that jeopardized the benefits of more than 2,700 workers.

“This is an example of this Administration’s commitment to ensure that American workers receive all the benefits that they are promised,” said U.S. Labor Secretary Elaine L. Chao. The Labor Department’s legal actions in the Capital Consultants cases will help thousands of workers by restoring their lost assets and improving plan oversight in the future.”

The department’s lawsuits allege that the current and former trustees of the Operating Engineers Health and Welfare Trust Fund of Denver, Co., (*Chao v. Brown*) and the Sheet Metal Workers Local No. 9 Health and Welfare Fund of Denver, Co., (*Chao v. Keating*) violated the Employee Retirement Income Security Act (ERISA) by imprudently authorizing the investment of plan assets in a series of risky private placement investments managed by CCL, including loans to Wilshire Credit Corporation.

Between 1996 and 2000, the plans invested more than \$1.5 million with CCL. The suits allege the trustees authorized these investments without conducting an adequate investigation of the merits of the investments. The trustees of the Operating Engineers plan also allegedly failed to enforce the plan’s investment policy.

The department is seeking court orders to require that the defendants restore any losses to the funds and institute new plan procedures and controls relating to investments. The suits were filed in federal district court in Denver, Co. The cases resulted from investigations conducted by the department’s Employee Benefits Security Administration’s Kansas City regional office. The department has previously sued the trustees of union plans in Oregon, Ohio and Minnesota for similar imprudent investments in CCL.

CCL was a registered investment manager that provided investment services to more than 60 primarily union-sponsored pension, health and welfare plans governed by federal employee benefits law. In 2000, the department and the Securities and Exchange Commission (SEC) sued CCL and its principals for investing plan assets in a series of imprudent loans, self-dealing and charging excessive fees. As a result of the department’s actions, the court appointed a receiver who has collected more than \$140 million, in addition to more than \$130 million obtained through private litigation.

In 2002, Jeffrey Grayson and his son Barclay Grayson, CCL’s chief executive officer and president respectively, were indicted on criminal charges related to the improper investments. The son served a prison sentence.

###

(*Chao v. Brown*) Civil Action No. 04-D-227 (OES)
(*Chao v. Keating*) Civil Action No. 04-D-228 (OES)

U.S. Labor Department news releases are accessible on the Internet at www.dol.gov/ebsa. The information in this release will be made available in alternate format upon request (large print, Braille, audio tape or disc) from the COAST office. Please specify which news release when placing your request. Call 202-693-7773 or TTY 202-693-7755.