

DOCKET NUMBER 2002-3 : **STATE ETHICS COMMISSION**
IN THE MATTER OF A : **20 TRINITY STREET**
COMPLAINT AGAINST : **HARTFORD, CT 06106-1660**
ST. JAMES ASSOCIATES, LLC : **JULY 15, 2002**

STIPULATION AND ORDER

Pursuant to Connecticut General Statutes §4-177(c), the Connecticut State Ethics Commission (the "Commission") and Respondent, St. James Associates, LLC ("St. James") agree to settle this matter in the manner described below.

St. James represents as follows:

1. In 1997, IAI Ventures, Inc. and IAI World Fund, L.L.C. retained under a contract as an independent contractor a Connecticut LLC known as Truro Associates, LLC, to assist in identifying a limited number of large financial institutions as potential members of the IAI World Fund, L.L.C., and to introduce IAI Ventures to potential Fund members.

2. Crescendo Management succeeded to IAI Ventures Inc.'s interests in the contract with Truro Associates, LLC in December 1998. IAI World Fund, L.L.C. was renamed as Crescendo World Fund, L.L.C. (referred to collectively as the "World Fund").

3. Under the terms of the contract, Truro Associates, LLC agreed and represented that it would perform its service consistent with the Investment Advisors Act of 1940, the Rules promulgated pursuant to that Act, and all Connecticut laws.

4. In 1997, Truro Associates, LLC identified the State of Connecticut Pension Fund ("Pension Fund") as a potential member of the World Fund. Truro Associates, LLC introduced the World Fund to the Connecticut Treasurer (the "Treasurer").

5. Truro Associates, LLC, IAI Ventures, Inc. and IAI World Fund, L.L.C. fully disclosed in writing to the Treasurer and the Connecticut state securities and banking regulators their relationship and the nature of Truro Associates, LLC's compensation.

6. In October of 1998, Crescendo Management and Crescendo III created Crescendo III, L.P., a venture capital limited partnership (the "Crescendo III Fund") and retained under a contract as an independent contractor, St. James Associates, LLC to assist in identifying a limited number of large financial institutions as potential members of the Crescendo III Fund, to introduce the Crescendo III Fund to potential Fund members.

7. Under the terms of the 1998 contract, St. James Associates, LLC agreed and represented that it would perform its services consistent with the Investment Advisors Act of 1940, the rules promulgated pursuant to that Act, and all Connecticut laws.

8. In 1998, St. James Associates, LLC identified the Pension Fund as a potential member of the Crescendo III Fund and arranged a meeting of the

Crescendo III Fund with the Connecticut Treasurer.

9. St. James Associates, LLC and the Crescendo entities fully disclosed in writing to the Treasurer their relationship and the nature of St. James Associates, LLC's compensation.

St. James Associates and the Commission represent as follows:

10. The Commission has brought a Confidential Complaint (the "Complaint") against St. James Associates, LLC alleging that St. James Associates, LLC has violated the Code of Ethics for Lobbyists, Connecticut General Statutes §1-79 et seq. (the "Code").

11. The Complaint alleges that St. James Associates, LLC and/or its members failed to properly register as lobbyists, pursuant to Connecticut General Statutes §1-94(1) and failed to complete financial disclosure forms pursuant to Connecticut General Statutes §1-96(b).

12. The Complaint finally alleges that the compensation payments to St. James Associates, LLC constitute contingent fee payments in violation of Connecticut General Statutes §1-97(b).

13. On May 8, 2001, in Docket Number 2000-5, the State Ethics Commission and Crescendo Ventures III, LLC/Crescendo Venture Management, LLC and Crescendo World Fund, LLC, ("Crescendo Entities") entered into a Stipulation and Order that was approved and entered by the Commission on or

about July 3, 2001. That Stipulation and Order provided for the payment into escrow of certain funds by the Crescendo entities pending resolution of complaints against members of St. James Associates, LLC and Truro Associates, LLC under Docket Numbers 2000-1, 2000-2 and 2000-3.

14. On or about November 17, 2001, the State Ethics Commission filed complaints "In the Matter of a Complaint against George C. Finley", Docket Number 2000-29 and "In the Matter of a Complaint against Peter G. Kelly", Docket Number 2000-30, involving payments to said individuals by Crossroads Management Partners and/or Crossroads Investment Company, LP ("Crossroads").

15. The Respondent and its members individually, waive any rights that they may have (in Docket No. 2002-3, 2000-1 and 2000-2) under Connecticut General Statutes §§1-80,1-93,1-93a and 1-98 and agree to disposition of this matter as authorized pursuant to Connecticut General Statutes §4-177(c). The Respondent St. James Associates, LLC waives any Statute of Limitations defense it has or might have in Docket Number 2002-3.

The Commission finds as follows:

16. That St. James Associates, LLC committed the violations of the Code of Ethics for Lobbyists alleged in the Complaint, but that said violations were not intentional. That this finding and any payments stipulated to, ordered or made pursuant thereto, are not in any way an admission of liability and/or fault by the

Respondent and is not admissible in, nor shall be deemed to prejudice any subsequent civil or criminal proceeding against the Respondent or any other person, nor shall it be admissible in any criminal, civil or administrative proceeding regarding any other person.

17. That St. James Associates, LLC and the Commission wish to resolve the Commission's Complaint against it.

18. That St. James Associates, LLC waives any right it may have under Connecticut General Statutes §1-93, 1-93a, 1-98, 1-80 and 4-183(f), including the right to a hearing or appeal of this case, and agree with the Commission to an informal disposition of this matter, pursuant to Connecticut General Statutes §4-177(c).

19. This Stipulation and Order concludes the Commission's investigation into the conduct of St. James Associates, LLC, Truro Associates, LLC, Peter G. Kelly, George C. Finley and John F. Droney and constitutes the final penalties against these business entities and individuals. The Commission is not and does not intend to conduct any further investigation into the conduct of these business entities and/or individuals, or to take any further action against said business entities and/or individuals with regard to the Complaints referred to in this Stipulation.

WHEREFORE, the State Ethics Commission and St. James Associates, LLC agree to the following orders in lieu of any other action the State Ethics Commission

is authorized to take with regard to these matters.

1. The Respondent St. James Associates, LLC shall pay a civil penalty of Two Thousand (\$2,000.00) Dollars within seven (7) days of the effective date of this Stipulation.

2. The State Ethics Commission does and hereby by these presents hereby dismisses any and all charges against George C. Finley, John F. Dronney and Peter G. Kelly as represented in Docket Numbers 2000-1, 2000-2 and 2000-3 and any and all complaints against Peter G. Kelly and George C. Finley in the Complaints dated November 17, 2001, known as Docket Numbers 2000-29 and 2000-30.

3. Within seven (7) days after the effective date of this Stipulation, St. James Associates, LLC shall take all necessary steps to assign any rights that it has or may have directly or indirectly to escrow fees plus interest, to escrowed future fees or carried interest under the contract with Crescendo Ventures Management, LLC and Crescendo Ventures III, LLC regarding the Crescendo III, L.P. Fund. As a consequence hereof, the Respondent St. James Associates, LLC further agrees that pursuant to the Commission's July 3, 2001 Stipulation with Crescendo entities, these escrowed funds plus interest, and future fees of approximately \$1,750,000, and any carried interest (10%) resulting from the Crescendo II, LP Fund, shall revert to the Connecticut Retirement Plans and Trust Funds. The \$1,750,000 represents

approximately 37% of the fee payable that the Respondents were originally entitled to receive under the contract between St. James Associates, LLC and Crescendo Ventures Management, LLC. The other 63% of the contingent fee payments, approximately \$2,900,000 was previously eliminated when Treasurer Nappier reduced former Treasurer Silvester's capital commitment to this Fund of \$100,000,000 to \$36,825,000.

4. Within seven (7) days after the effective date of this Assignment and Stipulation, in recognition of St. James Associates, LLC's actual relinquishment of fees as required and set forth in the prior paragraph 3, and in recognition of St. James Associates, LLC's other required actions as set forth herein this Stipulation, the Commission shall take the following action:

(a) The Commission shall waive any rights it may have under its July 3, 2001 Stipulation with Crescendo entities, over and above the sum of \$150,000, to the escrowed fees plus interest, future fees or carried interest regarding the Crescendo World Fund, LLC (a/k/a the IAI World Fund, L.L.C.).

(b) The Commission and/or its attorneys and/or agents, shall take all necessary actions and steps to cooperate with Truro Associates, LLC in obtaining pursuant to this Stipulation, the escrowed fees plus interest, future fees and earned interest owed to Truro Associates, LLC, over and above the sum of \$150,000, pursuant to a contract between Truro Associates, LLC and IAI Ventures, Inc. and IAI

World Fund, L.L.C. dated August 15, 1997, as amended December 15, 1998.

(c) The Commission further agrees that pursuant to Truro Associates, LLC's contract with Crescendo Ventures Management, LLC and IAI Ventures, Inc. regarding the IAI World Fund, Truro Associates, LLC shall be legally entitled to receive these escrowed and future fees over and above the sum of \$150,000, (approximately \$3,150,000 before taxes and any carried interest [10%] therefrom).

5. (a) The Respondent St. James Associates, LLC, and its members, at their own expense, shall cooperate with the Office of the Attorney General and the Commission and use their best efforts to take all legally necessary and appropriate actions to seek to vacate the Superior Court December 12, 2001 Decision in *ABC, LLC, et al v. State Ethics Commission*, Docket No. CV00-0504071S (the "Superior Court Decision").

(b) In the absence of the vacation of the Superior Court Decision, the Respondent St. James Associates, LLC and its members, shall, at their own expense, cooperate with the Office of the Attorney General and the Commission and use their best efforts to take all legally necessary and appropriate actions to seek to insure that the Connecticut Supreme Court decides the Commission's Appeal (the "Appeal") of the Superior Court Decision on the merits including, but not limited to, arguing that the Appeal is not rendered moot by this Stipulation.


(c) This Stipulation shall take effect immediately. The Respondent

St. James Associates, LLC and the Commission agree that this Stipulation is not dependent upon the success of St. James Associates as required under the two prior paragraphs (5a. and 5b.). The Respondent St. James Associates, LLC and the Commission further agree that no aspect of this Stipulation including, but not limited to, the effective date, shall be altered or affected or in any way contingent upon any decision on the merits of the Appeal by the Connecticut Supreme Court.

6. The Respondent St. James Associates, LLC and its members shall henceforth comply with the requirement of the Code of Ethics for Lobbyists. St. James Associates, LLC and its members shall henceforth refrain from engaging in the profession of finders or receiving any fee in connection with the placement of an investment by the Connecticut Office of the Treasurer.

ST. JAMES ASSOCIATES, LLC
BY ITS MEMBER:

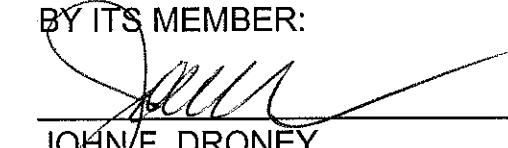
Dated 7-15-02



GEORGE C. FINLEY

ST. JAMES ASSOCIATES, LLC
BY ITS MEMBER:

Dated 7-15-02



JOHN F. DRONEY

STATE ETHICS COMMISSION
CHAIRPERSON

Dated 15 JULY 02

