

CONNECTICUT STATE ETHICS COMMISSION  
20 TRINITY STREET  
HARTFORD, CONNECTICUT 06106-1660

COMPLAINT

The State Ethics Commission issues a complaint alleging a violation of:

           The Code of Ethics For Public Officials and  
State Employees, Chapter 10, Part I, General Statutes

  X   The Code of Ethics for Lobbyists, Chapter 10, Part II,  
General Statutes

Time and date matters complained of occurred:

**1998 and 1999**

Place violation occurred:

**Connecticut**

Persons involved:

**St. James Associates, LLC and its members, George Finley and John Droney**

Witnesses:

**List to be provided ten days prior to any hearing on the merits in this matter.**

Circumstances which indicate that the Code of Ethics designated above was violated are as follows (a short, plain statement alleging a violation of Chapter 10, General Statutes):

**Please see attached.**

  
Signature

          7/15/02            
Date

Complainant's Name and Address and Telephone Number: State Ethics Commission  
20 Trinity St., Suite 205  
Hartford, CT 06106-1660  
(860)566-4472

DOCKET NUMBER 2002-3

STATE ETHICS COMMISSION

IN THE MATTER OF

20 TRINITY STREET

A COMPLAINT AGAINST

HARTFORD, CT 06106

ST. JAMES ASSOCIATES, LLC

JULY 15, 2002

### COMPLAINT

1. At all relevant times, St. James Associates, LLC ("Respondent St. James") was a Connecticut corporation with members George Finley and John Droney.
2. Respondent St. James contracted with Crescendo Ventures III, LLC ("Crescendo Ventures"), the general partner of Crescendo III, L.P. ("the Fund"), and Crescendo Venture Management, LLC ("Crescendo Management"), to assist in identifying public employee pension funds and to explain generally the role of venture capital investments in public pension plans and specifically about the Fund.
3. In return for the services described in paragraph 3 above, Crescendo Ventures and Crescendo Management agreed to pay Respondent St. James twenty percent of the annual management fee which Crescendo Management received based on the aggregate capital commitments in the Fund by members the Respondent identified. It was further agreed that the payments would be paid on a quarterly basis, as long as the member did not withdraw its interest in the Fund. In addition, it was agreed that Crescendo Ventures and Crescendo Management would pay Respondent St. James 10% of the carried interest distributed to Crescendo Ventures.
4. During calendar year 1998, Respondent St. James, through one or more of its members, contacted the Office of the Treasurer to explain the organization of Crescendo Ventures, Crescendo Management, and to interest the Treasurer in making an investment in the Fund.
5. Following the action described in paragraph 4 above, Respondent St. James, through one or more of its members, arranged for a meeting between the Treasurer and representatives of Crescendo Ventures, Crescendo Management and the Fund.
6. The Office of the Treasurer eventually invested in the Fund.

7. Given that the fees described in paragraph 3 above would only be paid if the capital commitment were obtained, and given the possibility of a full or partial withdrawal as described in paragraph 3 above, the payments described in paragraph 3 above were contingent on the Treasurer committing and/or maintaining its current level of investment.
8. With exceptions not relevant, pursuant to Conn. Gen. Stat. Section 1-91(a), administrative action includes any action or nonaction of any executive agency of the state regarding a contract of that agency.
9. Pursuant to Conn. Gen. Stat. Section 1-94(1), a lobbyist shall register with the State Ethics Commission if it receives or agrees to receive compensation or reimbursement for actual expenses, or both, of two thousand dollars or more in a calendar year for lobbying.
10. Pursuant to Conn. Gen. Stat. Section 1-91(k), lobbying means communicating directly or soliciting others to communicate with any official or his staff in the executive branch of government for the purpose of influencing any administrative action.
11. The agreement, as described in paragraph 3 above, were agreements to engage in administrative lobbying to maintain and/or enter into a new contract with the Office of the Treasurer.
12. Respondent St. James, through its members, failed to register in calendar years 1998 and 1999.
13. Each failure to register is a violation of Conn. Gen. Stat. Section 1-94(1).
14. Pursuant to Conn. Gen. Stat. Section 1-96(b), a registrant shall file periodic financial disclosure reports with the State Ethics Commission regarding its lobbying activities.
15. Respondent St. James, through its members, failed to file the required financial disclosure reports in calendar years 1998 and 1999.
13. Each failure to file a required report is a violation of Conn. Gen. Stat. Section 1-96(b).
14. Pursuant to Conn. Gen. Stat. Section 1-97(b), no person shall be employed as a lobbyist for compensation which is contingent upon the outcome of any administrative action.
15. As more fully described in paragraph 3 above, Respondent St. James entered into a contingent fee payment arrangement with Crescendo Ventures and Crescendo Management, in violation of Conn. Gen. Stat. Section 1-97(b).

16. The payments received by Respondent St. James, and due to be received by Respondent St. James, are contingent fee payments in violation of Conn. Gen. Stat. Section 1-97(b).

Confiden: 2002-3 Complaint(Final)(St.James) (7-15-02)

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.

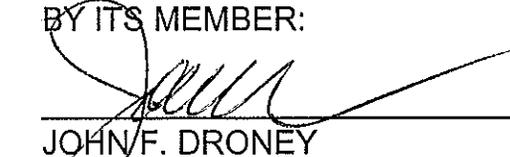
ST. JAMES ASSOCIATES, LLC  
BY ITS MEMBER:

Dated 7-15-02

  
\_\_\_\_\_  
GEORGE C. FINLEY

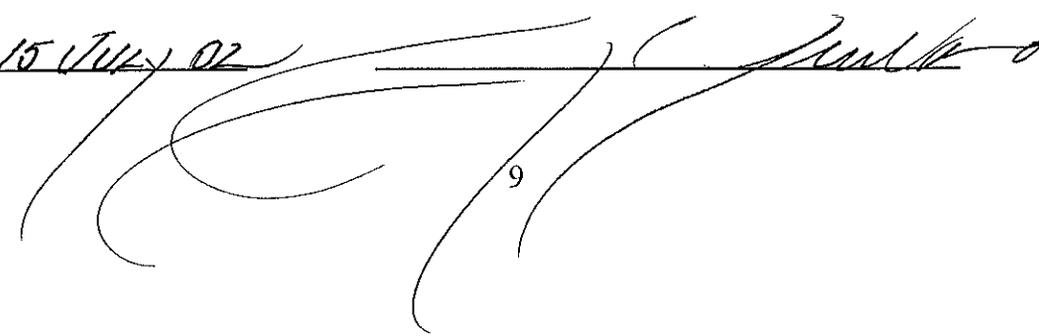
ST. JAMES ASSOCIATES, LLC  
BY ITS MEMBER:

Dated 7-15-02

  
\_\_\_\_\_  
JOHN F. DRONEY

STATE ETHICS COMMISSION  
CHAIRPERSON

Dated 15 JULY 02

  
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