

DOCKET NUMBER 2000-13

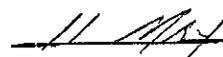
STATE ETHICS COMMISSION

IN THE MATTER OF A

20 TRINITY STREET

COMPLAINT AGAINST

HARTFORD, CT 06106

KEYSTONE VENTURE CAPITAL  
MANAGEMENT COMPANY , 2001

## STIPULATION AND ORDER

Pursuant to Connecticut General Statutes §4-177(c), the State Ethics Commission (hereafter the "Commission") and Respondent, Keystone Venture Capital Management Company (hereafter "Respondent"), agree to settle this matter in the manner described below:

1. The Commission finds that Respondent violated the Code of Ethics for Lobbyists (the "Code") as alleged in the Complaint filed against Respondent dated May 1, 2000, but that the violation was unintentional and unknowing. This finding is based on the Commission staff's investigation into this matter including information which was voluntarily disclosed by Respondent to the Office of the Connecticut State Treasurer on or about November 4, 1999. More specifically, the Commission finds that Respondent unknowingly and unintentionally:

- failed to report, pursuant to Conn. Gen. Stat. § 1-96(e), the fundamental terms of its contract with its Consultant for calendar years 1998, 1999 and 2000
- entered into a contingent fee payment arrangement with the Consultant described in Paragraphs 1-2 of the Complaint in violation of Conn. Gen. Stat. §1-97(b)

2. The Commission also finds that Respondent:

- relied upon the position of its Consultant, who were experienced attorneys from the State of Connecticut, that the arrangements entered into with them fully complied with any and all applicable laws and regulations;
- relied upon the Consultant with respect to how the terms of its Contract with the Consultant were to be reported; and
- immediately ceased payments to Consultant upon learning of a potential issue with respect to the permissibility of the fee to the Consultant.

3. Respondent does not admit the allegations of the Complaint and does not admit that it has violated any law, but, solely to avoid the time and expense associated with litigation, chooses not to contest the Commission's findings and therefore agrees to settle the matter as set forth below. Nothing in this Stipulation and Order shall be construed as an admission of liability on the part of Respondent. Respondent intends that Federal Rule of Evidence 408 and like state rules of evidence apply to both this Stipulation and Order, and the negotiations and communications leading to it.

4. In consideration of the provisions of this Stipulation and Order, Respondent waives any rights it may have under Conn. Gen. Stat. §§1-93, 1-93a, 1-98, 1-80 and 4-183(f), including the right to a hearing or appeal in this case, and agrees with the Commission to an informal disposition of this matter as authorized by Conn. Gen. Stat. §4-177(c).

5. This Stipulation and Order concludes the Commission's investigation into the conduct of Respondent and constitutes the final action and disposition related to the Contracts with Consultant. The Commission is not and does not intend to conduct any further investigation into the conduct of Keystone with regard to the matters set forth in the Complaint.

WHEREFORE, the State Ethics Commission enters, and Respondent, Keystone Venture Capital Management Company, agree to the following orders in lieu of any other action the State Ethics Commission is authorized to take with regard to this Complaint:

1. Respondent agrees to pay a civil penalty of \$2,000 to the State Ethics Commission within thirty days of the signing of this Stipulation and Order.

2. Respondent shall, within sixty days of the date Respondent executes this Stipulation and Order, amend its lobbyist filings with the State Ethics Commission for calendar years 1998, 1999 and 2000 to accurately reflect the contingent fee payment arrangements in the descriptions of its terms of compensation.

3. Respondent confirms that it has ceased and desisted from making any contingency payments effective prior to the payment that would otherwise have been due on October 1, 1999, and is placing such funds in an interest-bearing escrow account.

4. Respondent will cease and desist making any future contingency payments to the Consultant alleged in the Complaint.

5. Respondent will make any payments which have not been made to Consultant as described above, but which will be held in an interest bearing escrow account and which otherwise would have been or would be owed to Consultant under the Contracts, in the current amount of \$156,250.00 (hereafter the "Payment") to the Connecticut Retirement Plans and Trust Funds. It is understood that the Payment is being turned over to the Connecticut Retirement Plans and Trust Funds by Keystone as a result of the cease and desist agreement to avoid the appearance of unjust enrichment.

6. The Payment shall be due to the Connecticut Retirement Plans and Trust Funds pursuant to Paragraph 5 above only after the occurrence of the following contingencies:

- a. The Commission finds Consultant to be in violation of the Code pursuant to Conn. Gen. Stat. Section 1-93(b) and Consultant enters into a Stipulation and Order with the Commission and executes a release to Keystone releasing Keystone from any liability for its non-payment of the sums referenced in Paragraph 5 above; or
- b. The applicable statute of limitations for the Consultant to sue Respondent to recover any payments under the Contracts has expired or, in the event Consultant brings a state or federal litigation or arbitration against Respondent within the applicable statute of limitations, such proceeding between Consultant and Respondent is settled, or resolved in favor of Respondent and all appeals have been exhausted or no appeal has been brought by Consultant and the time for it to bring such an appeal has expired; and
- c. The Commission finds Consultant to be in violation of the Code pursuant to Conn. Gen. Stat. § 1-93(b) and all appeals by Consultant to Docket Number 2000-12 have been exhausted and resolved in favor of the Commission or the Commission's finding of a violation by Consultant in Docket Number 2000-12 becomes a final, non-appealable order by virtue of the failure of Consultant to pursue a timely appeal from the order.

7. Respondent hereby represents and warrants that it has the authority to make the Payment referenced in Paragraph 5 above subject to the contingencies outlined in Paragraph 6 above.

8. Respondent represents that it will submit to the Commission any and all documents which refer, reflect or relate to the matters referenced in the Complaint with the exception of any documents which are subject to the attorney-client privilege and/or the work-product doctrine after Respondent's submission of a privilege log or which Respondent and the Commission agree are not relevant to the Complaint or Docket No. 2000-12. The parties agree that any disagreement that may arise between them with respect to any claim of privilege will promptly be submitted to a court of competent jurisdiction for resolution. Respondent will submit the documents to the Commission within three days of its execution of this Stipulation and Order.

9. Respondent shall fully cooperate with any requests by the Commission in enforcement proceedings relevant to the matters referenced in the Complaint, including, but not limited to, providing information to the Commission which is relevant to the matters referenced in the Complaint and Docket Number 2000-12, identifying the principals, members or employees of Respondent with knowledge of any facts relevant to the matters referenced in the Complaint and providing live and sworn witness testimony in Docket Number 2000-12 (the "Proceeding"), if deemed by the Commission to be necessary and relevant to the proceeding. Any individual's exercise of a lawful testimonial right or privilege shall not be considered a breach of this agreement.

  
Chairperson, State Ethics Commission

11 May 01  
Date

  
Respondent

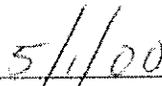
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Date

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Signature



Date

Complainant's Name And Address:

State Ethics Commission  
20 Trinity Street  
Hartford, CT 06106-1660

Complainant's Telephone Number:

566-4472



# STATE OF CONNECTICUT

## STATE ETHICS COMMISSION CONFIDENTIAL

DOCKET NUMBER 2000-13

STATE ETHICS COMMISSION

IN THE MATTER OF A

20 TRINITY STREET

COMPLAINT AGAINST

HARTFORD, CT 06106

KEYSTONE VENTURE CAPITAL  
MANAGEMENT COMPANY

May 1, 2000

### COMPLAINT

1. During calendar years 1998, 1999 and 2000, Keystone Venture Capital Management Company ("The Respondent"), was a party to an agreement with Glen Carberry on behalf of Tobin, Carberry, O'Malley, Riley & Selinger, P.C.(the business organization).
2. Under the terms of the agreement described in paragraph 1 above, the Respondent agreed to pay a fee equal to one percent of any management fees received as a result of capital contributions made by the Office of the Treasurer of the State of Connecticut into a fund managed by The Respondent (the "Fund").
3. Pursuant to the agreement described in paragraphs 1-2 above, representatives of the business organization contacted the Office of the Treasurer to solicit capital contributions for investment in the Fund.
4. The Office of the Treasurer invested in the Fund.
5. The Respondent made payments to the business organization pursuant to the agreement identified in paragraphs 1-2, above.
6. Pursuant to Conn. Gen. Stat. §1-91(a), administrative action includes any action or non-action of any executive agency of the state regarding a contract of that agency.
7. Pursuant to Conn. Gen. Stat. §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.

8. Pursuant to Conn. Gen. Stat. §1-94(2), a lobbyist shall register with the State Ethics Commission if it makes or incurs an obligation to make expenditures of two thousand dollars or more in a calendar year for lobbying.
9. The Agreement described in paragraphs 1-2, above, is an agreement to engage in administrative lobbying to enter into and/or maintain a contract with the Office of the Treasurer.
10. The Respondent registered for calendar years 1998, 1999 and 2000 as a client lobbyist.
11. Pursuant to Conn. Gen. Stat. §1-96(e), a client lobbyist must report the fundamental terms of contracts, agreements or promises to pay compensation or reimbursement or to make expenditures in furtherance of lobbying.
12. When filing as a lobbyist for calendar year 1998, the Respondent described the terms of compensation for lobbying as a fixed retainer and did not disclose the contingent fee payment arrangement described in Paragraphs 1-2 above.
13. When filing as a lobbyist for calendar years 1999 and 2000, the Respondent described the terms of compensation for lobbying as a fixed retainer and did not disclose the contingent fee arrangement described in Paragraphs 1-2 above.
14. The failure to disclose the actual terms of compensation in calendar year 1998 with the business organization is a violation of Conn. Gen. Stat. §1-96(e).
15. The failure to disclose the actual terms of compensation in calendar years 1999 and 2000 with the business organization is a violation of Conn. Gen. Stat. §1-96(e).
16. 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.
17. The agreement described in paragraphs 1-2 above is an agreement in violation of Conn. Gen. Stat. §1-97(b).
18. The payment of each contingent fee payment by the Respondent is a violation of Conn. Gen. Stat. Section 1-97(b).