



Government of the District of Columbia  
Vincent C. Gray, Mayor  
Department of Insurance, Securities and Banking



William P. White  
Commissioner

_____	)	
IN THE MATTER OF:	)	
	)	ADMINISTRATIVE CONSENT ORDER
	)	ORDER NO. SB-CO-07-12
PERSEUS, L.L.C.,	)	
	)	
Respondent.	)	
_____	)	

WHEREAS, the Commissioner of the Department of Insurance, Securities and Banking (the "Department") has the authority to administer and provide for enforcement of the Securities Act of 2000, effective October 26, 2000 (D.C. Law 13-203; D.C. Official Code § 31-5601.01 *et seq.* (2001)) (the "Securities Act" or the "Act"); and

WHEREAS Perseus, L.L.C. (the "Respondent" or "Perseus") has voluntarily contacted and reported to the Department the nature of its investment advisory activities in the District of Columbia, and the Department, upon due consideration of the subject matter hereof, has determined that grounds exist to conclude that the Respondent has engaged in acts or practices that required a license under certain provisions of the Securities Act, during a period in which Respondent did not have such a license; and

WHEREAS, Perseus has made the following representations to the Department:

A. Perseus does not provide investment advice to "clients" that are "natural persons." (The term "clients" is defined in 17 C.F.R. § 275.203(B)(3)-1 and is cross-referenced in 17 C.F.R. § 275.203A-3(a)(4), and for purposes of determining the

applicability of the term “natural person,” it has the same meaning as in 17 C.F.R. § 275.203A-3(a)(1) (i) and (ii).)

B. Between September 1995 and the effective date of the Securities Act in 2000, Perseus did not register with the District of Columbia as an investment adviser because, as an exempt adviser under section 203(b) of the United States Investment Advisers Act of 1940, as amended (the “Advisers Act”), it was exempt from registration under the District of Columbia’s Investment Advisers Act of 1992 (the “1992 Act”);

C. Perseus’ operations, as reflected in its Form ADV filed on February 14, 2012 in connection with the Respondent’s registration with the United States Securities and Exchange Commission (the “SEC”) (see paragraph 7 below under Findings of Fact), are not materially different from what would have been disclosed in its Form ADV had Perseus filed and maintained Form ADV with the Department during the time period of October 26, 2000 to March 30, 2012;

D. The Respondent and its associated persons do not have any disciplinary history with any law enforcement or other regulatory agency;

E. The Respondent’s principals and officers have advanced degrees generally in the areas of business administration, economics, finance, law or similar fields. Additionally, the Respondent represents that several of its principals and officers either have a license in good standing with the relevant licensing authority as a certified public accountant or are members of the bar in good standing;

F. At all relevant times, members of the Respondent’s investment committee (“Significant Employees”) have made all investment decisions on behalf of Perseus for Perseus’ “clients,” none of whom are “natural persons” within the meaning of 17 C.F.R. § 275.203(B)(3)-1 (relating to “clients”) and 17 C.F.R. § 275.203A-3(a) (relating to “clients” and “natural persons”); and

WHEREAS, Perseus elects to waive permanently any right to a hearing and appeal under the District of Columbia Administrative Procedure Act, D.C. Official Code §§ 2-509(a) and 2-510(a) (2001); the Rules of Practice and Procedures for Hearings in the District of Columbia, 26 DCMR §§ B300 *et seq.*; and sections 602(b) and 803(a) of the Securities Act (D.C. Law 13-203, D.C. Official Code § 31-5601.01 *et seq.* (2001)), D.C. Official Code §§ 31-5606.02(b) and 31-5608.03(a) with respect to this Administrative Consent Order (this “Order”); and

WHEREAS, solely for the settlement of the issues contained in this Order, Perseus, without admitting or denying the Findings of Fact and Conclusions of Law contained in this Order, and without an adjudication of any issue of law or fact, consents to the entry of this Order.

NOW, THEREFORE, the Commissioner, as administrator of the Act pursuant to D.C. Official Code § 31-5607.01, hereby enters this Order:

#### **I. FINDINGS OF FACT**

1. The Respondent is a Delaware limited liability company that has provided investment advisory services in the District of Columbia since September 1995. Its current address is 2099 Pennsylvania Avenue, N.W., Suite 900, Washington, D.C. 20006.
2. The Respondent is a private equity fund management company headquartered in the District of Columbia, with an office in New York. The Respondent’s activities in the District of Columbia include organizing and managing private equity funds (the “Private Funds”) and, in connection therewith, providing investment advisory services to such Private Funds. The Private Funds primarily invest capital in middle market companies with the objective of achieving long-term appreciation for their investors.
3. In 2000, the District of Columbia enacted the Securities Act, which prohibits persons from transacting business in the District of Columbia as an investment adviser or an investment adviser representative unless the person is licensed, has no place of business in the District of Columbia, or is otherwise exempt pursuant to D.C. Official Code § 31-5602.02(a)(1), or is registered as an investment adviser with the SEC.

4. Prior to October 26, 2000, the effective date of Titles I and II of the Securities Act, the Respondent had been exempt from the registration or licensing requirement under the 1992 Act. From October 26, 2000 onward, the Respondent was relying on the exemption from registration with the SEC pursuant to section 203(b)(3) of the Advisers Act as the basis for continuing to not register as an investment adviser with the Department. When the Respondent became aware of the change in the District of Columbia registration and licensing requirements, the Respondent contacted the Department regarding the Securities Act registration requirements and attempted to address the issues related to its unlicensed activity in the District of Columbia.

5. From October 26, 2000 to March 30, 2012, the Respondent was required to be registered as an investment adviser with the Department and, in connection therewith, was required to pay the requisite filing fees associated with the registration, pursuant to D.C. Official Code § 31-5602.02. However, the Respondent did not register or pay filing fees during that period, while the Respondent and the Department engaged in an ongoing dialogue to address Perseus' registration requirements with the Department.

6. In September 2011, the Respondent hired Roderick J. Cruz to serve as the firm's Chief Compliance Officer in anticipation of registration as an investment adviser with the SEC as a result of amendments to the Advisers Act pursuant to The Dodd-Frank Wall Street Reform and Consumer Protection Act.

7. On February 14, 2012, the Respondent filed to become an investment adviser registered with the SEC. Such federal registration became effective on March 30, 2012. Accordingly, the Respondent is a "federal covered adviser" as defined in D.C. Official Code § 31-5601.01(10).

8. In connection with the Respondent's federal filing with the SEC, on February 16, 2012, the Respondent filed a notice filing with the Department and paid the requisite notice filing fee of \$250.00 pursuant to D.C. Official Code § 31-5602.03(d)(1).

9. On March 13, 2012, the Respondent and members of the Department met at the Department's office to discuss final resolution concerning registration with the Department for

the time period of October 26, 2000 to March 30, 2012. The Respondent executed a representation to the Department that Perseus does not provide investment advice to “natural persons” and that Perseus does not offer investment advisory services to “natural persons.”

## **II. CONCLUSIONS OF LAW**

1. The Department has jurisdiction over this matter pursuant to D.C. Official Code § 31-5606.01(a)(1).
2. From October 26, 2000 to March 30, 2012, the Respondent has had a place of business in the District of Columbia, and transacted business in the District of Columbia as an investment adviser without registering as such as required by D.C. Official Code § 31-5602.02.
3. The Respondent became a “federal covered adviser” as defined in D.C. Official Code § 31-5601.01(10) effective March 30, 2012. Accordingly, from March 30, 2012 onward, the Respondent is exempt from registration as an investment adviser with the Department pursuant to D.C. Official Code § 31-5602.02 because the Respondent is not an “investment adviser” as defined in D.C. Official Code § 31-36501.01(17)(B)(i).
4. The Department finds the following relief appropriate and in the public interest.

## **III. ORDER**

On the basis of the Findings of Fact, Conclusions of Law, and Respondent’s consent to the entry of this Order,

### **IT IS HEREBY ORDERED:**

1. This Consent Order terminates the investigation by the Department with respect to Respondent’s unlicensed activity in the District of Columbia from October 26, 2000 to March 30, 2012, the date that the Respondent became a “federal covered adviser.”

2. Respondent will comply with all of the provisions of the Act and, in particular, as a federal covered adviser advising Private Funds, the Respondent will comply with D.C. Official Code §§ 31-5602.03 and 31-5603.08(d) of the Act. Additionally, the Respondent shall take all required actions as are set forth below in this Order.
3. Upon execution of the Order, the Respondent shall remit a total of \$4,758.18 to the Department made payable to the D.C. Treasurer, pursuant to D.C. Official Code § 1-204.50 for all outstanding fees that should have been paid during the requisite period as follows: (a) \$3,182.28, which shall be in satisfaction of all past and current registration or other applicable Department investment adviser and federal covered adviser licensing fees that should have been paid by the Respondent during the period from October 26, 2000 to March 30, 2012; and (b) \$1,575.90, which shall be in satisfaction of all past Investment Adviser Representative license fees that should have been paid by the Respondent with respect to its Significant Employees during the period from October 26, 2000 to March 30, 2012.
4. In addition to the outstanding fees referenced in paragraph 3 above, the Respondent agrees to pay \$2,310.00 to the Department in accordance with D.C. Official Code § 31-5606.01(a)(1) made payable to the D.C. Treasurer, pursuant to D.C. Official Code § 1-204.50 which constitutes payment of a civil penalty concerning the Respondent's requirement to register as an investment adviser as described in paragraph 5 under Findings of Fact.
5. The Respondent agrees that its Chief Compliance Officer will conduct a review of the Respondent's compliance with applicable securities laws for the next two years, and such reviews shall be conducted at least every 12 months.
6. The Respondent shall report to the Department any contemplated change in the categories of clients that it advises that would bring any of its associated persons within the definition of "investment adviser representative" under 17 C.F.R. § 275.203A-3(a).

7. If the Respondent fails to comply with any term in this Order, the Department may institute administrative or judicial proceedings against the Respondent to enforce this Order or to sanction the Respondent for violating an Order of the Commissioner, and may take any other action authorized under the Securities Act or any applicable law, including the issuance of fines or penalties as provided by the Securities Act. For the purpose of determining those sanctions, the Findings of Fact set forth in this Order may be introduced into evidence against the Respondent.
8. That this Order fully addresses the past conduct of the Respondent with regard to unlicensed activity referred to in paragraph 1, above.
9. The terms of this Order may not be modified, except by a subsequent Order issued by the Commissioner and consented to by Perseus.
10. The Commissioner finds this Order necessary and appropriate and in the public interest for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Securities Act.

**DEPARTMENT OF INSURANCE, SECURITIES AND BANKING**

**SO ORDERED:**

APPROVED and so ORDERED:

In Witness Whereof, I have hereunto

set my hand and affixed the official seal of this

Department in the District of Columbia, this 21<sup>st</sup>

day of July, 2012.

  
*Margaret Schumacher for*  
William P. White  
Commissioner *William P. White*

**CONSENT TO ENTRY OF ADMINISTRATIVE ORDER BY PERSEUS, L.L.C.**

Perseus, L.L.C. (the "Respondent" or "Perseus") hereby acknowledges that it has been served with a copy of this Administrative Consent Order, has read the Order, is aware of the right to a hearing and appeal in this matter, and has waived the same.

The Respondent admits the jurisdiction of the Department, neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order, and consents to entry of this Order by the Department as settlement of the issues contained in this Order.

The Respondent agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal, or local tax for any administrative monetary penalty that the Respondent shall pay pursuant to this Order.

The Respondent states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Order and that it has entered into this Order voluntarily.

Kenneth M. Socha represents that he is a Senior Managing Director of Perseus as well as Chairman of the Executive Committee of Perseus, the governing body of Perseus, and an authorized officer of Perseus, and that he is authorized to enter into this Order for and on behalf of Perseus.

Dated this 26<sup>th</sup> day of July, 2012.

Perseus, L.L.C.

By: Kenneth M. Socha  
Kenneth M. Socha  
Chairman of the Executive Committee

District of Columbia)  
) ss.  
~~County of~~ \_\_\_\_\_ )

SUBSCRIBED AND SWORN TO before me this 26<sup>th</sup> day of July, 2012.

Mary E. Williford  
Notary Public

My commission expires:  
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**Mary E. Williford**  
Notary Public, District of Columbia  
My Commission Expires 8/14/2013