

square 1 ventures

Square 1 Ventures, LLC

**406 Blackwell Street
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This brochure provides information about the qualifications and business practices of Square 1 Ventures, LLC. If you have any questions about the contents of this brochure, please contact us at (919) 354-1275. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Square 1 Ventures, LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

This Form ADV Part 2A brochure (the “Brochure”) is a document which Square 1 Ventures, LLC provides to its clients as required by SEC Rules.

The purpose of this section is to provide clients with a summary of new and/or updated information. No material changes have been made to this Brochure since the initial Brochure was submitted.

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Advisory Business

General Information

Square 1 Ventures, LLC (the “Adviser”) is a Delaware limited liability company with its principal place of business in Durham, North Carolina. The Adviser was organized in August, 2007. The Adviser’s sole owner is Square 1 Financial, Inc.

Advisory Services

The Adviser seeks to provide its services to venture capital fund-of-fund clients (each, a “Fund”). The Adviser currently has only one client, Square 1 Venture 1, LP, which is a venture capital fund-of-funds. The investment advisory service provided by the Adviser is selecting smaller venture capital funds and sector-specific venture capital funds, while also seeking out investments in consistently performing larger venture capital funds and funds managed by promising next generation managers.

Investment Discretion

The Adviser works solely as a discretionary adviser.

Client Assets

As of January 1, 2014, the Adviser had approximately \$42,671,200 in assets under management.

Fees and Compensation

General Fee Structure

The Adviser charges a fee for management and administrative services equal to 1.0% of the assets under management for the first seven years of a Fund, payable in advance on a quarterly basis (the “Management Fee”). Thereafter, the annual Management Fee will decrease by 10% from the prior year’s Management Fee. Fees are deducted from client assets.

Brokerage and Custodian Fees

In addition to the fee paid to the Adviser, a Fund is expected to pay custodial fees, if any, associated with its designated custody provider for their accounts managed by the Adviser. These fees, if any, would be deducted on a frequency determined between the Fund and its custodian. A Fund that custodies its assets at Square 1 Bank will incur no custody fee.

The Fund does not incur any direct brokerage costs; the Adviser does not add any trading spreads or charge any commissions, markups, or soft dollar compensation of any kind. Details about purchases and sales can be found below, under Brokerage Practices.

Performance-Based Fees and Side-By-Side Management

The Adviser typically receives a “carried interest” distribution equal to 5% of a Fund’s cumulative net profits after Fund investors have been repaid their capital contributions.

Types of Clients

The Adviser specializes in providing investment advisory services to venture capital fund-of-

funds. Currently, the Adviser provides investment advisory services solely to Square 1 Venture 1, LP. The Adviser provides its services subject to the direction and control of the General Partner of the Fund and not individually to the investors of the Fund. Interests in the Fund will be offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. Permitted investors in a Fund may include high net worth individuals, banks, thrift institutions, pension and profit-sharing plans, trusts, estates, charitable organizations and other business entities. The minimum investment requirement for the Fund typically begins at \$500,000. However, the General Partner of the Fund generally may, in its sole discretion, permit investments that are less than the required minimum investment commitment set forth in the Fund's offering documents.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies

The Adviser focuses on investments in smaller venture capital funds and sector-specific venture capital funds, while also seeking out investments in consistently performing larger venture capital funds and venture capital funds managed by promising next generation managers.

Risk of Loss

While the Adviser seeks to diversify a Fund's investment portfolio by investing in multiple funds, all investment portfolios are subject to risks. Accordingly, there can be no assurance that a Fund will be able to fully meet its investment objectives and goals, or that investments will not lose money. Below is a description of several of the principal risks that a Fund may face.

Risks Inherent in Venture Capital Investment. A Fund may make investments in a portfolio of select United States venture capital funds. The success of venture capital investing, in general, is subject to risks related to: (i) the quality of the management of the funds and of the companies in which funds invest, (ii) the ability of the management of funds to select successful investment opportunities, (iii) general economic conditions, and (iv) the ability of funds to liquidate their investments, among others. There can be no assurance that investments made by the underlying venture capital funds in which a Fund may invest will result in rates of return to the Fund that are equal to or better than the average rate of return on investments in other underlying venture capital funds, or that the Fund will return capital. The Fund will not participate in the management and control of the underlying venture capital funds in which it invests, and the success or failure of a Fund will rely on the success or failure of the investment decisions made by the management of the respective underlying venture capital funds in which it invests.

Lack of Diversification. A Fund may not have a diversified portfolio of investments at any given time. While investing in a relatively small number of companies will allow the Adviser to more easily monitor the performance and operations of portfolio companies, a substantial loss with respect to any particular investment in an undiversified portfolio will have a substantial negative impact on the aggregate value of the portfolio.

Economic and Market Risk. Companies in which the underlying venture capital funds invest may be sensitive to general downward swings in the overall economy or in their specific industries or geographies. Factors affecting economic conditions, including, for example, inflation rates, currency devaluation, exchange rate fluctuations, industry conditions,

competition, technological developments, domestic and worldwide political, military and diplomatic events and trends and innumerable other factors, none of which will be in the control of the Fund, can substantially and adversely affect the business and prospects of the Fund. A major recession or adverse developments in the securities market might have an impact on some or all of the Fund's investments.

Clients of the Adviser should understand that investing in any securities involves a risk of loss of principal and be prepared to bear such losses.

Disciplinary Information

Neither the Adviser nor any of the Adviser's owners or employees has reportable disciplinary events.

Other Financial Industry Activities and Affiliations

Unless otherwise directed by a Fund, the Adviser utilizes the custodian services of Square 1 Bank for Fund assets. The Adviser's relationship with Square 1 Bank may present a conflict of interest with respect to a Fund inasmuch as the Adviser's related person receives a fee that could otherwise be paid to a third party.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The Adviser has established and implemented a Code of Ethics designed to educate all employees of the Adviser's detailed ethical standards and prohibition of fraudulent, deceptive or manipulative conduct.

The Adviser and its personnel owe a duty of loyalty, fairness and good faith towards their clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics, but to the general principles that guide the Code. As a fiduciary, the Adviser will act at all times in its clients' best interests and will avoid or disclose conflicts of interests. The Adviser's Code of Ethics emphasizes and implements these fundamental principles.

The Adviser's Code of Ethics includes prohibitions against the use of material non-public information. Employees are prohibited from trading for themselves or others in any security while in possession of material nonpublic information as well as communicating that information to anyone else. The Code of Ethics also covers the Adviser's policy on giving or receiving gifts and entertainment in a business setting as well as protecting the confidentiality of client information and the Adviser's Privacy Policy. A copy of this Code of Ethics is available upon request to any client or prospective client. The Code of Ethics also covers restrictions on personal securities transactions of employees.

Brokerage Practices

The Adviser does not normally utilize the services of broker-dealers for transaction related services. As such the Adviser does not generate or use soft dollars and thus the Adviser does not have any formal or informal soft-dollar arrangements and does not receive any soft-dollar

benefits. In the event that the Adviser chooses to use a broker-dealer for a securities transaction, the Adviser will seek to obtain best execution for any such transactions.

Aggregation of Clients' Orders

The Adviser does not expect that a Fund would normally actively trade in securities. However, the Adviser may aggregate a Fund's securities trades with those of another Fund to the extent consistent with receiving best execution. Generally, a Fund participating in an aggregated order will receive an average price of all trades placed that trading day and pay its ratable share of brokerage costs. In some cases, the Adviser may be excluded from aggregated block trades due to legal, regulatory or other concerns.

Review of Accounts

The Adviser will review each Fund on a periodic basis. These reviews will focus on appropriateness of the Fund's investments for the Fund's portfolio and the performance of the Fund.

Investors in a Fund generally receive, among other things, a copy of audited financial statements of the Fund within 180 days after the fiscal year end of the Fund. In addition, investors in a Fund will typically receive unaudited summary financial information regarding the Fund following the end of each financial quarter and an annual audited report.

Client Referrals and Other Compensation

The Adviser does not pay for client referrals or receive compensation from any other sources.

Custody

Square 1 Venture 1, LP's qualified custodian is Square 1 Bank.

Investment Discretion

The Fund hired the Adviser to provide discretionary asset management services, in which case the Adviser determines the investments to be bought or sold and the amounts to invest for the Fund, pursuant to the investment advisory agreement between the Fund and the Adviser.

Voting Client Securities

Under normal circumstances, the Adviser expects that a Fund generally will not hold securities of publicly-traded companies. Nevertheless, the Adviser has adopted policies and procedures with respect to the voting of proxies relating to securities held by a Fund. When a Fund has delegated responsibility for voting proxies to the Adviser, the firm evaluates and votes proxies in a manner consistent with the Fund's best interests. When voting proxies, the Adviser considers that it acts in the best interest of the Fund when the firm votes in a manner that it determines best serves the interest of maximizing shareholder value for the Fund. The policy of the Adviser is to vote all proxies from a specific issuer the same way for each Fund absent qualifying restrictions from a Fund.

If the Adviser determines that a material conflict of interest exists in voting a proxy, then the Adviser will review the matter with the General Partner of the Fund, who will then together determine whether to direct the affected client to vote their proxies themselves, or to address the voting issue through other objective means such as voting in a manner consistent with a predetermined voting policy or receiving an independent third party voting recommendation.

Clients may obtain information regarding how the Adviser voted their proxies, and/or request a copy of the Adviser's Proxy Voting Policies & Procedures, by contacting Wiley Becker, Principal of the Adviser, at wbecker@square1ventures.com.

Financial Information

As noted above, under Fees and Compensation, fees are deducted on a quarterly basis in advance directly from the clients' accounts held at the third party custodian. The Adviser currently does not have any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients.

The Adviser has not been the subject of a bankruptcy petition at any time during the past ten years.

Requirements for State-Registered Advisers

Not applicable.