

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 5975 / March 4, 2022**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-20791**

**In the Matter of**

**Alumni Ventures Group, LLC  
and Michael Collins,**

**Respondents.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS,  
PURSUANT TO SECTIONS 203(e) AND  
203(k) OF THE INVESTMENT ADVISERS  
ACT OF 1940, MAKING FINDINGS, AND  
IMPOSING REMEDIAL SANCTIONS AND  
A CEASE-AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) against Alumni Ventures Group, LLC (“AVG”) and Michael Collins (“Collins,” together with AVG, “Respondents”).

**II.**

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

### III.

On the basis of this Order and Respondents' Offers, the Commission finds<sup>1</sup> that:

#### Summary

1. This matter involves materially misleading statements and improper transactions by AVG, an exempt reporting adviser and venture capital fund manager, regarding its collection of management fees and effecting inter-fund loans and cash transfers and loans from AVG to funds it advised. First, from June 2016 through February 2020 (the "Relevant Period"), AVG included misleading statements at various times in marketing documents for the funds it advised, emails to prospective fund investors, and on its website. Specifically, AVG represented that its management fee for the venture capital funds that it managed was the "industry standard '2 and 20.'" This statement was misleading because it led a number of investors to believe that AVG would collect a two-percent management fee during each year of its funds' 10-year term, and separately collect a 20-percent performance fee. In reality, AVG's typical practice was to assess management fees totaling 20 percent of an investor's fund investment (representing ten years' of two-percent annual management fees) upon the investor's initial fund investment. Collins, AVG's founder and Chief Executive Officer, approved of AVG employees using the misleading "industry standard '2 and 20'" language, and personally used it with fund investors and prospective investors.

2. Second, during the Relevant Period, AVG made inter-fund loans and cash transfers between the funds, and made loans to certain funds. These transactions violated the funds' respective operating agreements regarding commingling of investor assets, and breached AVG's fiduciary duties to the funds. AVG also failed to disclose these transactions to fund investors. The inter-fund transactions also created an undisclosed conflict of interest for AVG as between various funds that it managed, because it was solely responsible for determining the terms for each side of the transaction.

3. Based on the foregoing and as detailed below, AVG violated Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-8 thereunder, and Collins caused those violations.

#### Respondents

4. Respondent AVG (SEC File No. 802-112318), formerly known as Launch Angels Management Company, LLC, is a Massachusetts limited liability company with its primary place of business in Manchester, New Hampshire. It has filed reports with the Commission as an exempt reporting adviser since December 18, 2017, relying on the exemption from registration for venture capital fund advisers in Section 203(l) of the Advisers Act. In its March 30, 2021 Form ADV, AVG reported managing \$425 million in private fund assets.

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<sup>1</sup> The findings herein are made pursuant to Respondents' Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

5. Collins, age 58, is a resident of Bedford, New Hampshire. Collins is AVG's founder and Chief Executive Officer.

### **Other Relevant Entities**

6. AVG created separate private funds under a series limited liability company umbrella, and acted as investment adviser to those funds. The funds that are the subject of this action (the "Funds") are listed in Appendix A. The Funds were organized as part of Alumni Ventures Group Funds, LLC (formerly doing business as Launch Angels Funds, LLC), Alumni Ventures Group Sidecar Funds, LLC (formerly doing business as Launch Angels Sidecar Funds, LLC), Launch Angels Partners Fund, LLC, and Partner Program Laguna 1, LLC.

### **Facts**

#### **Misleading Marketing Language: "Industry Standard '2 and 20'"**

7. During the Relevant Period, AVG made materially misleading statements in describing its management fee in Fund marketing materials, emails to prospective Fund investors, and on its website. AVG represented that the fee it charged to manage venture capital funds was the "industry standard '2 and 20.'" The "2 and 20" industry standard for a private fund manager's compensation is generally understood to include a two-percent annual management fee, plus carried interest often amounting to 20 percent of a fund's profit. In reality, AVG's practice was to assess the entire 20 percent in management fees—*i.e.*, 10 years' worth of management fees of two percent per annum—upfront at the time an investor made the capital contribution. For example, if an investor contributed \$100,000 to a Fund managed by AVG, AVG would immediately assess 20 percent, or \$20,000, as its management fee for the expected life of the Fund. AVG typically drew and spent most or all of this \$20,000 to pay expenses during the first year of the Fund's operations.

8. During the Relevant Period, AVG's public website included a section entitled "Tell Me About Fees" in which AVG represented that "[o]ur funds operate on an industry standard '2 and 20.'" AVG further represented that "[e]ach of our funds charges a 2% annual management fee." AVG did not disclose on its website that its practice was to assess 10 years' worth of the two-percent annual fee at the time of an investor's initial capital contribution.

9. Similarly, in Fund marketing slide decks, AVG represented that it charged "INDUSTRY STANDARD FEES" (capitalization in original) and/or an "[i]ndustry standard 2% annual management fee." These marketing materials noted that AVG's Funds had a ten-year lifespan. Instead, AVG assessed all of its management fees for the expected life of the Fund upfront at the time of the investor's initial investment.

10. AVG's practices in assessing its management fees were inconsistent with what a reasonable investor would understand, absent additional disclosure, from AVG's use of the term "industry standard" as applied to a two-percent annual management fee. Multiple investors in AVG's Funds complained to AVG when they later learned of AVG's actual fee practice. AVG continued to use the "industry standard '2 and 20'" language even after receiving complaints from investors who learned that their capital contributions were reduced by multiple years' worth of

management fees before being deployed to investment opportunities. AVG continued to use the misleading “industry standard” language until February 2020.

11. Collins knew and approved AVG employees’ use of the “industry standard ‘2 and 20’” language with Fund investors and prospective investors, including on AVG’s website and in marketing materials. In his own direct communications with investors and prospective investors, Collins used the phrase “industry standard ‘2 and 20’” and “industry-standard rates” himself to describe AVG’s management fee arrangement. Collins approved the use of this “industry standard” language even though he was unaware of any other adviser in the industry that collected the entirety of multiple years’ worth of management fees at the time of the Fund investor’s initial investment. Collins unreasonably believed that the “industry standard ‘2 and 20’” statement was accurate notwithstanding the complaints that AVG received from investors, and in the face of questions about the language that were raised to him in 2017 by an AVG board member and an AVG officer.

12. AVG’s accelerated collection of its annual management fee amounted to an interest-free loan from the Funds that it managed. If the Funds had charged AVG a reasonable rate of interest on the advanced fees, AVG would have paid the Funds \$4,791,401. AVG has now repaid each of the Funds affected by the conduct described in paragraphs 7-11 its respective share of that amount.

#### **Undisclosed Inter-Fund Transactions and AVG Loans to Funds**

13. During the Relevant Period, AVG represented to the Funds and Fund investors, in Fund operating agreements that were provided to the Fund investors, that AVG would not commingle the assets of one Fund with those of any other Fund, and that AVG assets would not be commingled with the assets of the Funds. As CEO of AVG, Collins was aware of and periodically reviewed the operating agreements.

14. Contrary to these representations, AVG commingled Fund assets with each other through loans and transfers between Funds. For example, on December 22, 2016, Green D Ventures Fund 3, LLC loaned \$200,000 to LASF - Bloom Energy, LLC. On December 28, 2017, Strawberry Creek Ventures Fund 1, LLC funded a portfolio investment on behalf of several other Funds. And, on March 22, 2019, Waterman Ventures Fund 1, LLC loaned \$50,500 to AVGFSEllevest 2019, LLC. AVG also made transfers between the “A” (accredited) series of Funds and the legally distinct “Q” (qualified) series of the same Fund and vice versa. The inter-fund loans and transfers were not documented in a written debt instrument, had no predetermined maturity date or interest rate, and their timing and repayment amount was solely in AVG’s discretion. The inter-fund loans and transfers were ultimately repaid without interest.

15. AVG also commingled AVG assets with Fund assets through loans to the Funds from AVG that were not documented in a written debt instrument. For instance, in 2018 and 2019, respectively, AVG loaned \$2.5 million and \$4.1 million to Funds it managed to provide capital for Fund investments. The loans from AVG to the Funds had no predetermined maturity date or interest rate, and their timing and repayment amount was solely in AVG’s discretion. The loans were not memorialized in a written debt instrument at the time the loans were made, and were not disclosed to investors. The loans by AVG were ultimately repaid without interest. Collins was

aware of and approved the loans from AVG to the Funds, and he knew or reasonably should have known that these loans were contrary to the representations in the operating agreements about not commingling, thus rendering such representations materially misleading.

16. The transactions in paragraphs 13-15 violated the Funds' respective operating agreements regarding the commingling of a Fund's assets with those of another Fund or of AVG, breached AVG's fiduciary duties, and rendered the statements in the operating agreements regarding commingling materially misleading. The inter-fund loans and transfers also created an undisclosed conflict of interest for AVG, as between its duties to each Fund, because AVG was solely responsible for determining the terms for each side of the transaction, including when or if to repay the loan.

### **Violations**

17. As a result of the conduct described above, AVG willfully<sup>2</sup> violated Section 206(2) of the Advisers Act, which makes it unlawful for any investment adviser, directly or indirectly, to "engage in any transaction, practice or course of business which operates as a fraud or deceit upon any client or prospective client." Scienter is not required to establish a violation of Section 206(2), but rather may rest on a finding of negligence. *SEC v. Steadman*, 967 F.2d 636, 643 n.5 (D.C. Cir. 1992) (citing *SEC v. Capital Gains Research Bureau, Inc.*, 375 U.S. 180, 194-95 (1963)).

18. As a result of the conduct described above, AVG willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-8 thereunder, which make it unlawful for any investment adviser to a pooled investment vehicle to "engage in any act, practice, or course of business that is fraudulent, deceptive, or manipulative with respect to any investor or prospective investor in the pooled investment vehicle." A showing of negligence is sufficient to establish a violation of Section 206(4) of the Advisers Act or Rule 206(4)-8 thereunder; proof of scienter is not required. *Steadman*, 967 F.2d at 647.

19. As a result of the conduct described above, Collins caused AVG's violations of Section 206(2) and 206(4) of the Advisers Act and Rule 206(4)-8 thereunder.

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<sup>2</sup> "Willfully," for purposes of imposing relief under Section 203(e) of the Advisers Act, "means no more than that the person charged with the duty knows what he is doing." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965). The decision in *The Robare Group, Ltd. v. SEC*, which construed the term "willfully" for purposes of a differently structured statutory provision, does not alter that standard. 922 F.3d 468, 478-79 (D.C. Cir. 2019) (setting forth the showing required to establish that a person has "willfully omit[ted]" material information from a required disclosure in violation of Section 207 of the Advisers Act).

### **AVG's Remedial Acts**

20. In determining to accept Respondent AVG's Offer, the Commission considered remedial acts promptly undertaken by AVG, including: adoption and implementation of policies and procedures requiring pre-approval by AVG's Chief Compliance Officer or General Counsel of any written communication by an AVG employee concerning the fee arrangement for any fund managed by AVG; creation of a Chief Compliance Officer position; and addition of an independent member to its board of directors.

### **Undertakings**

21. AVG shall notify past and current investors in the Funds of the settlement terms of this Order by sending a copy of this Order to each investor via mail, email, or such other method not unacceptable to the Commission staff, together with a cover letter in a form not unacceptable to the Commission staff, within 30 days of entry of this Order.

22. AVG shall certify, in writing, compliance with the undertakings set forth in paragraph 21 above. The certification shall identify the undertaking(s), provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and AVG agrees to provide such evidence. The certification and supporting material shall be submitted to David Becker, Assistant Director, Division of Enforcement, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

23. For good cause shown, the Commission staff may extend any of the procedural dates relating to these undertakings. Deadlines for procedural dates shall be counted in calendar days, except that if the last day falls on a weekend or federal holiday, the next business day shall be considered the last day.

### **IV.**

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents' Offers.

Accordingly, pursuant to Sections 203(e) and 203(k) of the Advisers Act it is hereby ORDERED that:

A. Respondent AVG cease and desist from committing or causing any violations and any future violations of Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-8 promulgated thereunder.

B. Respondent AVG is censured.

C. Respondent Collins cease and desist from committing or causing any violations and any future violations of Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-8 promulgated thereunder.

D. Respondents AVG and Collins shall each pay a civil money penalty as follows:

- a. Respondent AVG shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$700,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3).
- b. Respondent Collins shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$100,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3).
- c. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717. Payment must be made in one of the following ways:
  - (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
  - (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
  - (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Alumni Ventures Group, LLC or Michael Collins as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to David Becker, Assistant Director, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549.

E. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of

any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

F. Respondent AVG shall comply with the undertakings enumerated in Paragraphs 21-22.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the findings in this Order are true and admitted by Respondent Collins, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19).

By the Commission.

Vanessa A. Countryman  
Secretary



## Appendix A

AVG Blockchain Fund 1, LLC

AVG Blockchain Fund 1-Q, LLC

AVG - First Check Fund 1, LLC

AVG - First Check Fund 1Q, LLC

AVG First Check Fund 2, LLC

AVG First Check Fund 2Q, LLC

AVG – Q1 2020 Partner Funds

AVG - Q2 2019 Partner Fund, LLC

AVG – Q3 2019 Partner Funds, LLC

AVG Q4 2019 Partner Funds

AVG Total Access Fund 1, LLC

AVGF - BIV2 High Brew Coffee 2018, LLC

AVGF CV Optimus Ride 2019, LLC

AVGF - GD Simple Machines 2018, LLC

AVGSF - Simple Machines 2018, LLC

AVGFS - Ellevest 2019, LLC

AVGSF – Light Field Lab 2019, LLC

AVGSF – Notable Labs 2019

AVGSF – Rigetti 2020

AVGFS - Rhone 2019, LLC

AVGSF - SV Deserve 2018, LLC

AVGSF - Zeus Living 2019

Bascom Ventures Fund 1, LLC

Bascom Ventures Fund 1 - Q, LLC

Bascom Ventures Fund 2, LLC

Bascom Ventures Fund 2-Q, LLC

Bascom Ventures Fund 3, LLC

Bascom Ventures Fund 3Q, LLC

Blue Ivy Fund 1, LLC

Blue Ivy Fund 1 (Q), LLC

Blue Ivy Ventures 2, LLC

Blue Ivy Ventures 2-Q, LLC

Blue Ivy Ventures Fund 3, LLC

Blue Ivy Ventures Fund 3Q, LLC

Blue Ivy Ventures Fund 4, LLC

Blue Ivy Ventures Fund 4Q, LLC

Castor Ventures Fund 1, LLC

Castor Ventures Fund 1 Q, LLC

Castor Ventures Fund 2 LLC

Castor Ventures 2-Q, LLC

Castor Ventures Fund 3, LLC

Castor Ventures Fund 3Q, LLC

Castor Ventures Fund 4, LLC

Castor Ventures Fund 4Q, LLC

Chestnut Street Ventures 1, LLC

Chestnut Street Ventures 1 - Q, LLC  
Chestnut Street Ventures Fund 2, LLC  
Chestnut Street Ventures 2-Q, LLC  
Chestnut Street Ventures Fund 3, LLC  
Chestnut Street Ventures Fund 3Q, LLC  
Congress Avenue Ventures Fund 1  
Congress Avenue Ventures Fund 1Q  
Fission Ventures Fund 1, LLC  
Fission Ventures Fund 1Q, LLC  
Fission Ventures Fund 2, LLC  
Fission Ventures Fund 2Q, LLC  
Green D Fund II, LLC  
Green D Ventures Fund 3, LLC  
Green D Ventures Fund 4, LLC  
Green D Ventures Fund 4 - Q, LLC  
Green D Ventures Fund 5, LLC  
Green D Ventures Fund 5-Q, LLC  
Green D Ventures Fund 6, LLC  
Green D Ventures Fund 6Q, LLC  
Green D Ventures Fund 7  
Green D Ventures Fund 7Q  
January 1, 2019 AVG Partner Fund, LLC  
July 1, 2018 AVG Systematic Fund

LAMC - BIV1 Manus Bio 2017, LLC  
LASC - EverQuote 2016, LLC  
LASF - Bloom Energy 2016, LLC  
LASF - BIV 1 EverQuote 2016, LLC  
LASF – Compass Therapeutics 2016, LLC  
LASF - CV1 EverQuote 2016, LLC  
LASF - Domo 2017, LLC  
LASF - Guardhat 2017, LLC  
LASF - Humatics 2017, LLC  
LASF - Madison Reed 2016, LLC  
LASF SmartVid.io 2017, LLC  
LASF - Tulip Products 2016, LLC  
LASF - Upstart 2017, LLC  
LASF - YV1 Freshly 2017, LLC  
Launch Angels Partners Fund, LLC  
Little Ivy Ventures Fund 1, LLC  
Little Ivy Ventures Fund 1Q, LLC  
Nassau Street Ventures Fund 1, LLC  
Nassau Street Ventures Fund 1Q, LLC  
Nassau Street Ventures Fund 2, LLC  
Nassau Street Ventures Fund 2Q, LLC  
October 1, 2018 AVG Partner Fund, LLC  
Partner Program Laguna 1, LLC

Purple Arch Ventures Fund 1, LLC  
Purple Arch Ventures Fund 1 - Q, LLC  
Purple Arch Ventures Fund 2, LLC  
Purple Arch Ventures Fund 2-Q, LLC  
Purple Arch Ventures Fund 3, LLC  
Purple Arch Ventures Fund 3Q, LLC  
Spike Ventures Fund 2, LLC  
Spike Ventures Fund 2Q  
Spike Ventures Fund 3, LLC  
Spike Ventures Fund 3Q, LLC  
Strawberry Creek Ventures Fund 1, LLC  
Strawberry Creek Ventures Fund 1 - Q, LLC  
Strawberry Creek Ventures Fund 2, LLC  
Strawberry Creek Ventures Fund 2Q, LLC  
Strawberry Creek Ventures Fund 3, LLC  
Strawberry Creek Ventures Fund 3Q, LLC  
Farm Ventures Fund 1, LLC  
Farm Ventures Fund 1 - Q, LLC  
The Yard Ventures 2016 Legacy Fund, LLC  
The Yard Ventures 2016 Legacy Fund (Q), LLC  
Yard Ventures 2, LLC  
Yard Ventures 2-Q, LLC  
Yard Ventures Fund 3, LLC

Yard Ventures Fund 3Q, LLC  
The Yard Ventures Fund 4, LLC  
The Yard Ventures Fund 4Q, LLC  
Towerview Ventures Fund 1, LLC  
Towerview Ventures Fund 1Q, LLC  
Towerview Ventures Fund 2, LLC  
Towerview Ventures Fund 2Q, LLC  
Trip Hammer Ventures Fund 1, LLC  
Trip Hammer Ventures Fund 1-Q, LLC  
Triphammer Ventures Fund 2, LLC  
Triphammer Ventures Fund 2Q, LLC  
Waterman Ventures Fund 1, LLC  
Waterman Ventures Fund 1Q, LLC  
Waterman Ventures Fund 2, LLC  
Waterman Ventures Fund 2Q, LLC  
Westwood Ventures Fund 1  
Westwood Ventures Fund 1Q