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Crispian Venture Capital, LLC.

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972-608-8804

CrispianVC.com

3/15/2011

This Brochure provides information about the qualifications and business practices of Crispian Venture Capital. If you have any questions about the contents of this Brochure, please contact us at 972-608-8804. 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.

Crispian Venture Capital is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Crispian Venture Capital also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 15, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Darrell Nichols, Chief Compliance Officer at 972-608-8804 or Darrell@CrispianVC.com. Our Brochure is also available on our web site CrispianVC.com, also free of charge.

Additional information about Crispian Venture Capital is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with Crispian Venture Capital who are registered, or are required to be registered, as investment adviser representatives of Crispian Venture Capital.

*Crispian Venture Capital, LLC provides investment supervisory services only to Crispian VC Fund I, LP and Crispian VC Fund II, LP. Therefore, all responses about clients refer to Crispian VC Fund I, LP and Crispian VC Fund II, LP (the “Partnerships”) and not to investors or any prospective investors in either Partnership.*

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#### **Item 4 – Advisory Business**

Crispian Venture Capital, LLC is an Investment Advisory company managing venture capital funds focused on high growth start-up/early-stage businesses.

Crispian Venture Capital, LLC focuses on venture capital investment which is a specialized form of investment, the practice of which may differ depending upon the philosophy and approach of each venture capital fund.

Crispian Venture Capital, LLC was founded in 2005 by David T. Machemehl and is the Managing Partner of Crispian Venture Capital, LLC.

Crispian Venture Capital, LLC, as General Partner, shall exclusively manage, operate and control the business and affairs of Crispian VC Fund I, LP and Crispian VC Fund II, LP, venture capital funds.

#### **Item 5 – Fees and Compensation**

Compensation is payable to Crispian pursuant to the Partnership's Agreement of Limited Partnership (the "Partnership Agreement"). Other than as described in the Partnership Agreements, fees are not negotiable. Pursuant to Crispian VC Fund I, LP and Crispian VC Fund II, LP Partnership Agreements, the General Partner is entitled to a management fee at an annual rate of 2.95% of the Partnership's net assets as reflected in the aggregate capital account balances of the Limited Partners. The management fee shall be payable at the beginning of each fiscal quarter based on the net asset value of the Partnership on the first day of such quarter. The management fee will be deducted from the assets of the Partnership.

The Partnership Agreements do not provide for the removal of the General Partner. No transfer of all or any part of a Limited Partner's Interest (including, without limitation, any sub-participation thereof) in the Partnership may be made without the prior written consent of the General Partner, which may be withheld in the General Partner's sole discretion, or granted on such terms as the General Partner determines. Notwithstanding the foregoing, a Limited Partner may assign to an affiliate all or a portion of the economic interests associated with its Interest in the Partnership provided that any such assignee or other transferee shall not become a Substituted Limited Partner and provided further that

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certain conditions set out in the Partnership's Agreement of Limited Partnership are met, including that there would be no adverse effect on the Partnership from such transfer.

#### **Item 6 – Performance-Based Fees and Side-By-Side Management**

Crispian Venture Capital does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

#### **Item 7 – Types of Clients**

Crispian Venture Capital, LLC does not accept investments from the general public. Only persons or organizations who qualify as “accredited investors” under the Securities Act of 1933 may participate in the offerings made by Crispian Venture Capital, LLC

#### **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

*Investing in venture capital involves risk of loss that clients and partners should be prepared to bear.*

The Partnerships seek to invest in companies in which it believes there is an optimum combination of (a) highly competent and motivated management, (b) a market characterized by a favorable mix of the variables of size, growth potential and competitive factors, and (c) a proprietary product or service that meets a market need. However, there can be no assurance that every portfolio company of the Partnerships will meet all or most of these criteria.

In evaluating prospective investment opportunities, the General Partner will utilize The Harvard Framework (discussed in *Winning Angels* by David Amis and Howard Stevenson (Prentice Hall 2001)) developed by William Sahlman and Howard Stevenson at the Harvard Business School. This evaluation process looks at each opportunity as an interconnected combination of four elements: people, context, business opportunity, and the deal.

##### *People*

The people in the deal, including the entrepreneur, team members, investors, advisors, and any significant stakeholders.

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*Business opportunity*

The potential business opportunity, which includes the business model, the size (which implies the potential returns), the customers, and the window within which it can be seized.

*Context*

The macro-situation, which includes external factors, such as: technology development, customer's desires, the state of the economy, industry trends, etc.

*Deal*

The structure of the deal, which includes its terms and pricing.

Under this methodology not only is each element critical by itself, but the way they interact is also crucial to the evaluation.

**Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Crispian Venture Capital or the integrity of Crispian Venture Capital's management. Crispian Venture Capital has no information applicable to this Item.

**Item 10 – Other Financial Industry Activities and Affiliations**

Crispian Venture Capital has no other financial industry activities and affiliations.

**Item 11 – Code of Ethics**

Crispian Venture Capital has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised

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persons at Crispian Venture Capital must acknowledge the terms of the Code of Ethics annually, or as amended.

Crispian Venture Capital anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Crispian Venture Capital has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Crispian Venture Capital, its affiliates and/or clients, directly or indirectly, have a position of interest. Crispian Venture Capital's employees and persons associated with Crispian Venture Capital are required to follow Crispian Venture Capital's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Crispian Venture Capital and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Crispian Venture Capital's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Crispian Venture Capital will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Crispian Venture Capital's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Crispian Venture Capital and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Crispian Venture Capital's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Crispian Venture Capital will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

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Crispian Venture Capital's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Darrell Nichols at 972-608-8804.

It is Crispian Venture Capital's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Crispian Venture Capital will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

#### **Item 12 – Brokerage Practices**

Crispian Venture Capital, LLC, as General Partner, exclusively manages, operates and controls the business and affairs of Crispian VC Fund I, LP and Crispian VC Fund II, LP, venture capital funds.

#### **Item 13 – Review of Accounts**

Crispian Venture Capital, LLC is the General Partner of Crispian VC Fund I, LP and Crispian VC Fund II, LP. Crispian Venture Capital, LLC will review on a continuous basis the Partnership's investments and investment opportunities. David T. Machemehl, the Manager of Crispian, will conduct the reviews.

At least once a year and as soon as practicable after the financial statements are completed, Crispian Venture Capital, LLC, as the General Partner, will report to the Limited Partners on the financial condition of the Partnerships. The General Partner shall cause to be delivered to each Partner the following:

- a. Within one hundred twenty (120) days after the end of each fiscal year, a balance sheet and income statement; and



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- b. Within one hundred twenty (120) days after the end of the fiscal year:
- i) US federal income tax Form K-1 and any similar forms required by any state or local taxing authority; and
  - ii) any other information concerning the Partnerships reasonably necessary for the preparation of the Partner's federal and state income tax returns.

#### **Item 14 – *Client Referrals and Other Compensation***

Neither Crispian Venture Capital nor its representatives will pay or receive compensation or any other economic benefit for client referrals.

#### **Item 15 – *Custody***

Neither Crispian Venture Capital nor its representatives will hold securities of any type for clients. A qualified custodian will hold and maintains partners investment assets. . Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

#### **Item 16 – *Investment Discretion***

Crispian Venture Capital, LLC, as General Partner, exclusively manages, operates and controls the business and affairs of Crispian VC Fund I, LP and Crispian VC Fund II, LP, venture capital funds and has sole investment discretion.

#### **Item 17 – *Voting Client Securities***

Crispian Venture Capital, LLC, as General Partner, exclusively manages, operates and controls the business and affairs of Crispian VC Fund I, LP and Crispian VC Fund II, LP, venture capital funds and has sole voting discretion.

#### **Item 18 – *Financial Information***

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Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Crispian Venture Capital's financial condition. Crispian Venture Capital has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.