

**STATE OF NEW HAMPSHIRE  
DEPARTMENT OF STATE  
BUREAU OF SECURITIES REGULATION  
CONCORD, NEW HAMPSHIRE**

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<b>Alumni Ventures Group, LLC</b>	)	<b>COM 2018-00015</b>
<b>Michael Collins</b>	)	
	)	
<b>RESPONDENTS</b>	)	
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**CONSENT ORDER**

- I. For the purposes of settling the above-referenced matter and in lieu of further administrative proceedings, Alumni Ventures Group, LLC (“AVG”) and Michael Collins (“Collins,” and together with AVG, “Respondents”) have submitted an offer of settlement, which the State of New Hampshire, Department of State, Bureau of Securities Regulation (“Bureau”) has determined to accept. Accordingly, and without admitting or denying the allegations herein, Respondents do consent to the following undertakings and sanctions:

**STATEMENT OF FACTS**

1. AVG, which was formerly known as Launch Angels Management Company, LLC, is a Massachusetts limited liability company with a principal place of business located in Manchester, New Hampshire. Since December 18, 2017, AVG has filed reports with the U.S. Securities & Exchange Commission (“SEC”) as an exempt reporting investment adviser relying on Section 203(l) of the Investment Advisers Act of 1940 that provides an exemption from registration for venture capital fund advisers. Pursuant to an Interpretive Order published by the Bureau on May 12, 2017, as an exempt reporting investment adviser relying on Section 203(l) of the Investment Advisers Act of 1940, AVG is also exempt from the Bureau’s registration requirements under N.H. RSA 421-B: 4-403. Additionally, as of March 30, 2021, AVG reported in its Form ADV that it was managing \$425 million in private fund assets.
2. Collins resides in New Hampshire. Collins is AVG’s founder and currently serves as AVG’s Chief Executive Officer.

3. Since 2014, AVG created separate private funds under a series limited liability company umbrella, and acted as the investment adviser to those funds. The funds that are subject to this Consent Order (the “Funds”) are listed in Appendix A and were offered from June 2016 to February 2020 (the “Relevant Period”). 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.
4. When offering the Funds, AVG relied on the exemption from securities registration provided by Rule 506 of Regulation D under the Securities Act of 1933. AVG would then also be required to file a notice filing with the Bureau under N.H. RSA 421-B:3-302. The Bureau, in the course of its investigation, determined that AVG failed to file several notice filings with the Bureau for a number of its Funds.
5. The Bureau received a complaint in 2018 concerning the disclosure statements contained in the private placement memorandum for one of the Funds. The complainant alleged that the disclosure related to the management fee paid by the Fund to AVG was misleading in that he expected a fee of 2% per year, each year, over ten years (as well as a 20% share in profits on any profitable investment) but instead the Fund paid a management fee of 20% up-front in the first year.
6. After receiving the complaint, the Bureau commenced an investigation of AVG and the Funds. The Bureau also learned that the SEC was investigating AVG and the Funds. The Bureau’s investigation included reviewing documentation requested from AVG and the SEC, as well as conducting and participating in interviews of AVG employees.
7. At the conclusion of its investigation, the Bureau determined that 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 to prospective investors that the fee it charged to manage venture capital funds was the “industry standard ‘2 and 20’” which is generally understood to mean a 2% annual management fee assessed each year for ten years plus a 20% share in profits on any profitable investment. In reality, however, AVG’s actual practice was to assess and collect 10 years’ worth of the 2% annual management fee upfront at the time of the investor’s initial contribution. AVG typically drew and spent most or all of the upfront management fee in the first year of the Fund’s operations.
8. During the Relevant Period, on its website, AVG represented that “Our funds operate on an industry standard ‘2 and 20’” and “[e]ach of our funds charges a 2% annual management fee.” AVG did not disclose on its website that it would actually assess and collect 10 years’ worth of the 2% annual management fee at the time of the investor’s

initial investment. Additionally, AVG made similar misleading statements concerning its management fee in other marketing materials presented to prospective investors.

9. Despite receiving complaints concerning the management fee disclosure from multiple investors after they learned of AVG's fee practice, AVG continued to use the "industry standard '2 and 20'" language until February 2020. AVG's practice 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 the 2% annual management fee.
10. The Bureau determined that Collins knew and approved of AVG's use of the "industry standard '2 and 20'" language to Fund investors and prospective investors. Collins also used the "industry standard '2 and 20'" language when describing AVG's management fee structure during the Relevant Period while admittedly unaware of any venture capital fund advisers in the industry that collected multiple years' worth of management fees upfront. The Bureau determined that Collins unreasonably believed that the "industry standard '2 and 20'" statement was accurate despite receiving complaints from investors and concerns raised in 2017 by an AVG board member and an AVG officer.
11. AVG's accelerated collection of its management fee amounted to an undisclosed interest-free loan from the Funds that it managed. The SEC determined that, had the Funds charged AVG a reasonable rate of interest on the advanced fees, AVG would have paid the Funds \$4,791,401 in interest. Since bringing this issue to AVG's attention, AVG has now repaid each of the Funds affected by the conduct within the Relevant Period described in paragraphs 7-10 its respective share of the \$4,791,401.
12. Additionally, the Bureau determined that, during the Relevant Period, AVG represented in its Fund operating agreements provided to Fund investors that AVG would not commingle the assets of one Fund with the assets of any other Fund, and that AVG's assets would not be commingled with the assets of any Funds. Contrary to these representations, the Bureau determined that AVG did in fact commingle Fund assets through loans and transfers between certain Funds and also commingled AVG assets with Fund assets through loans from AVG to certain Funds. These loans and transfers were not formally documented with a written debt instrument, had no predetermined maturity date or interest rate, and their timing and repayment was solely in AVG's discretion. The loans and transfers were ultimately repaid without interest. Collins was aware of, and as CEO approved of, these undocumented transfers and loans. Collins also knew or should have known that these transfers were contrary to the representations contained in the operating agreements that he periodically reviewed.
13. The transactions in paragraph 12 violated the Funds' respective operating agreements regarding the comingling 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.

14. Since the Bureau's investigation commenced, Respondents have promptly taken certain remedial acts, including but not limited to 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.
15. In determining the appropriate administrative fine amount, the Bureau considered the remedial efforts AVG and their cooperation throughout the Bureau's investigation. However, the Bureau also considered the magnitude of the violations, the fact that AVG is headquartered in New Hampshire where many of AVG's activities discussed in this Consent Order occurred, and the penalties associated with many late notice filings.

#### **THE LAW**

16. AVG and Collins are "persons" as defined by N.H. RSA 421-B: 1-102(39).
17. N.H. RSA 421-B:3-302(c) requires certain filings to be made with the Bureau for "[a]ny person offering a federal covered security, that is a security described in section 18(b)(4)(F) of the Securities Act of 1933, 15 U.S.C. section 77r(b)(4)(F), and is not exempt under RSA 421-B:2-201 through RSA 421-B:2-203..." The Bureau determined that AVG violated N.H. RSA 421-B:3-302(c).
18. N.H. RSA 421-B:5-502(a) states that "it is unlawful for any person that advises others for compensation, either directly or indirectly or through publications or writings, as to the value of securities or the advisability of investing in, purchasing, or selling securities or that, for compensation and as part of a regular business, issues or promulgates analyses or reports relating to securities: (1) to employ a device, scheme, or artifice to defraud another person; or (2) to engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person." The Bureau determined that AVG and Collins violated N.H. RSA 421-B:5-502(a)(2). A showing of negligence is sufficient to establish a violation of N.H. RSA 421-B:5-502(a)(2); proof of scienter is not required.

19. Pursuant to N.H. RSA 421-B:6-604(a), “[i]f the secretary of state determines that a person has engaged, is engaging, or is about to engage, in an act, practice, or course of business constituting a violation of this chapter or an order issued under this chapter, or that a person has, is, or is about to materially aid an act, practice, or course of business constituting a violation of this chapter or an order issued under this chapter, the secretary of state may: (1) issue an order directing the person to cease and desist from engaging in the act, practice, or course of business or to take other action necessary or appropriate to comply with this chapter . . . .” AVG and Collins are subject to this provision.
20. Pursuant to N.H. RSA 421-B:6-604(d), any person who, either knowingly or negligently, violates this state’s securities laws may, upon hearing, and in addition to any other penalty provided for by law, be subject to suspension, revocation or denial of any registration or license, or an administrative fine not to exceed \$2,500 per violation, or both. AVG and Collins are subject to this provision.
21. Pursuant to N.H. RSA 421-B:6-604(g), “[i]n a final order, the secretary of state may charge the actual cost of an investigation or proceeding for a violation of this chapter or an order issued under this chapter.” AVG and Collins are subject to this provision.

II. In view of the foregoing, Respondents agree to the following undertakings and sanctions:

1. Respondents agree that they have voluntarily consented to the entry of this Consent Order and represent and aver that no employee or representative of the Bureau has made any promise, representation, or threat to induce their execution.
2. Respondents agree to waive their right to an administrative hearing and any appeal therein under RSA chapter 421-B.
3. Respondents agree that this Consent Order is entered into for purposes of resolving only the matter as described herein. This Consent Order shall have no collateral estoppel effect in any other lawsuit, proceeding, or action, not described herein. Likewise, this Consent Order shall not be construed to restrict the Bureau’s right to initiate an administrative investigation or proceeding relative to conduct by Respondents of which the Bureau has no knowledge at the time of the date of final entry of this Consent Order.
4. Respondents may not take any action or permit to be made any public statement, including in regulatory filings or otherwise denying, directly or indirectly, any allegation in this Consent Order or create the impression that this Consent Order is without factual basis. Nothing in this provision affects Respondents’ testimonial obligations or right to take legal positions in litigation, regulatory matters, or any forms of alternative dispute resolution in which the State of New Hampshire is not a party.




5. AVG agrees to notify past and present investors in the affected Funds of the settlement terms of this Consent Order by sending a copy of this Consent Order to each investor via mail, email, or such other method acceptable to the Bureau, together with a cover letter in a form acceptable to the Bureau, within 30 days of entry of this Consent Order. AVG also agrees to furnish documentation to the Bureau to show that AVG has repaid each of the Funds affected by the conduct during the Relevant Period described in this Consent Order its respective share of the \$4,791,401 discussed above.
6. Pursuant to N.H. RSA 421-B:6-604(a)(1), Respondents shall permanently cease and desist from committing or causing violations of N.H. RSA 421-B:5-502(a) or N.H. RSA 421-B:3-302.
7. Pursuant to N.H. RSA 421-B:6-604(d), AVG agrees to pay an administrative fine in the amount of Six Hundred Thousand Dollars (\$600,000) (allocated as a \$100,000 fine for late notice filings and a \$500,000 additional administrative fine) to the State of New Hampshire upon execution of this Consent Order. Payment shall be made by 1) United States postal money order, certified check, bank cashier's check, or bank money order; 2) made payable to the State of New Hampshire; and 3) hand-delivered or mailed to the Bureau of Securities Regulation, Department of State, State House, Room 204, Concord, New Hampshire 03301.
8. Pursuant to N.H. RSA 421-B:6-604(g), AVG agrees to pay the Bureau's costs in the amount of One Hundred Thousand Dollars (\$100,000) to the State of New Hampshire upon execution of this Consent Order. Payment shall be made by 1) United States postal money order, certified check, bank cashier's check, or bank money order; 2) made payable to the State of New Hampshire; and 3) hand-delivered or mailed to the Bureau of Securities Regulation, Department of State, State House, Room 204, Concord, New Hampshire 03301.
9. Pursuant to N.H. RSA 421-B:6-604(d), Collins agrees to pay an administrative fine in the amount of One Hundred Thousand Dollars (\$100,000) to the State of New Hampshire upon execution of this Consent Order. Payment shall be made by 1) United States postal money order, certified check, bank cashier's check, or bank money order; 2) made payable to the State of New Hampshire; and 3) hand-delivered or mailed to the Bureau of Securities Regulation, Department of State, State House, Room 204, Concord, New Hampshire 03301.

III. Based on the foregoing, the Bureau deems it appropriate and in the public interest to accept and enter into this Consent Order. **THEREFORE, IT IS HEREBY ORDERED THAT:**

1. Respondents shall permanently cease and desist from committing or causing violations of N.H. RSA 421-B:5-502(a) or N.H. RSA 421-B:3-302.
2. Respondents AVG shall pay an administrative fine in the amount of Six Hundred Thousand Dollars (\$600,000) to the State of New Hampshire upon execution of this Consent Order.
3. Respondents AVG shall pay the Bureau's costs in the amount of One Hundred Thousand Dollars (\$100,000) to the State of New Hampshire upon execution of this Consent Order.
4. Respondent Collins shall pay an administrative fine in the amount of One Hundred Thousand Dollars (\$100,000) to the State of New Hampshire upon execution of this Consent Order.
5. Respondents shall comply with all undertakings in section II, Paragraphs 1-8.

Executed this 28 day of Feb 2022

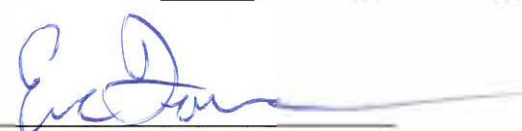
  
Alumni Ventures Group, LLC, duly authorized  
Please print name and title below:

Mike Collins; CEO

Executed this 28 day of Feb 2022

  
Michael Collins

Executed this 4th day of March 2022

  
Eric Forcier  
Deputy Secretary

## **Addendum 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 - BIVI 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