

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 65217 / August 29, 2011

INVESTMENT ADVISERS ACT OF 1940
Release No. 3267 / August 29, 2011

INVESTMENT COMPANY ACT OF 1940
Release No. 29772 / August 29, 2011

ADMINISTRATIVE PROCEEDING
File No. 3-14520

In the Matter of

MATTHEW CRISP,

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE AND CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTION 21C OF THE SECURITIES
EXCHANGE ACT OF 1934, SECTIONS
203(f) AND 203(k) OF THE INVESTMENT
ADVISERS ACT OF 1940, AND SECTION
9(b) OF THE INVESTMENT COMPANY
ACT OF 1940**

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 Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), Sections 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”), and Section 9(b) of the Investment Company Act of 1940 (“IC Act”) against Matthew Crisp.

II.

After an investigation, the Division of Enforcement alleges that:

A. SUMMARY

1. In this matter, Matthew Crisp (“Respondent” or “Crisp”) exploited undisclosed conflicts of interest for his personal gain. While working as a partner and fiduciary of Adams Street Partners, LLC (“Adams Street”), a registered investment adviser to multiple private equity funds, Crisp and a friend secretly formed a private investment vehicle called AV Partners LP. Crisp then usurped from Adams Street’s funds, for AV Partners, a

lucrative investment opportunity in a private company. Crisp concealed the misappropriation with misrepresentations and omissions regarding at least four material facts: (1) that Crisp redirected the investment opportunity from Adams Street's funds to AV Partners; (2) Crisp's involvement with AV Partners, and the resulting conflicts of interest; (3) that Crisp was motivated by personal profits and conflicting loyalties, not a purported prior commitment, when steering the investment opportunity to AV Partners; and (4) that Crisp's conduct violated provisions of Adams Street's Integrity Policy and the limited partnership agreements for Adams Street's funds.

2. Crisp further enriched himself with a personal payment of \$150,000 during a later buyout of the same private company. That money should have gone to Adams Street to reduce the fees due from its private equity funds. Crisp's deceit also secured for AV Partners a second investment opportunity in another private company in which Adams Street's funds invested. Further, Crisp attempted to arrange a second payout to AV Partners from that same company. Although later forced to repay the money, Crisp initially profited by over \$2 million from this conduct, at the expense of Adams Streets and its private equity funds.

B. RESPONDENT

3. Crisp, age 40, resides in Burlingame, California. He was a partner in Adams Street from June 2006 until his termination in March 2008. Crisp earned both a B.S. and a M.S. from the University of Virginia.

C. OTHER RELEVANT ENTITIES

4. Adams Street is a Delaware limited liability company headquartered in Chicago, Illinois. Adams Street has been registered with the Commission as an investment adviser since November 2000. Adams Street is the Management Company for, and Managing Member of the General Partner of, multiple private equity funds primarily for institutional investors, including Adams Street V, L.P.; Adams Street 2006 Direct Fund, L.P.; and Adams Street 2007 Direct Fund, L.P. Among others things, Adams Street's funds make direct investments in private companies that are seeking venture capital, growth equity, or additional liquidity.

5. AV Partners LP ("AV Partners") is an unregistered investment club established orally by Crisp and a friend, Joseph Wolf, to make investments together. It was never formally constituted as a limited partnership (or other type of entity).

D. CRISP EXPLOITED UNDISCLOSED CONFLICTS OF INTEREST FOR HIS PERSONAL GAIN

Adams Street Hired Crisp

6. In June 2006, Adams Street hired Crisp as a partner assigned to its direct investment group. Crisp located technology and growth equity companies for Adams

Street's private equity funds to invest in, he advised in which opportunities Adams Street's funds should invest, he executed on and managed the investment transactions on behalf of Adams Street and its funds, and he monitored the companies after the initial investments. As an investment adviser, and as an associated person to a registered investment adviser, Crisp owed fiduciary duties to Adams Street's funds.

Crisp and Wolf Secretly Formed AV Partners

7. Towards the end of 2006, Crisp and Wolf discussed forming AV Partners. They orally established the entity as an informal investment club to make investments together. In February and March 2007, they circulated draft partnership agreements, which they do not appear to have executed. The initials "A" and "V" are the first letters of the first names of Wolf's daughter and Crisp's son, respectively.

8. Wolf provided the initial funds for AV Partners's investments. Crisp provided access to and analysis of potential deals. Both decided what investments to make. After Wolf was repaid his initial investment money, Crisp and Wolf shared profits evenly. Crisp and Wolf shared losses evenly. Crisp therefore had a direct interest in AV Partners's investments.

9. Crisp's fiduciary duties and Adams Street's policies required him to disclose to Adams Street personal investments and any conflicts of interest, including Crisp's involvement with AV Partners. Adams Street's policies required both annual and quarterly disclosure forms, which Crisp completed. Crisp, however, consistently concealed from Adams Street and its employees his interest in, and involvement with, AV Partners. Crisp knew that his deceit in turn led Adams Street not to disclose AV Partners to Adams Street's private equity funds, and thus to the funds' investors.

10. Crisp failed to make the required disclosures to Adams Street and its funds, despite knowing that Wolf had disclosed AV Partners to the compliance department of his employer, a registered investment adviser to a registered investment company. On or around May 7, 2007, Wolf asked Crisp to send Wolf a copy of a private placement memorandum so that Wolf could provide it to his own compliance department.

11. Moreover, as detailed below, on at least three occasions in two separate transactions, Crisp lied about his involvement with AV Partners.

Crisp Usurped a Lucrative Investment Opportunity from Adams Street's Funds for AV Partners with Material Misrepresentations and Omissions

12. In 2006 and 2007, Crisp worked on an Adams Street investment in the VIP Tour Company, which operated a secondary market ticket brokerage business called TicketsNow (the "TicketsNow transaction"). Adams Street typically assigned a lead sponsor, who was primarily responsible for the deal, and a co-sponsor, who provided support, to each potential transaction. In the TicketsNow transaction, Crisp served as lead sponsor. Another Adams Street partner served as co-sponsor.

13. As lead sponsor on the TicketsNow transaction, Crisp met with Adams Street's Direct Investment Team to discuss the transaction, co-authored (with the deal co-sponsor) a memorandum recommending the investment to Adams Street's Investment Committee, and took the lead on otherwise communicating with Adams Street personnel about the transaction. The memorandum to the Investment Committee that Crisp co-authored advised about the company and the market sector, and recommended that Adams Street's funds invest in TicketsNow. The Investment Committee decided, as the Management Company and Managing Member of the General Partner, to invest Adams Street's funds' money in the TicketsNow transaction.

14. To win the opportunity to invest in TicketsNow, in 2006 Adams Street committed to invest a total of \$15 million from its private equity funds. This total commitment exceeded Adams Street's typical investment amount for its funds. As a result, in or around December 2006, Adams Street's partners decided to syndicate to (or, share with) other investors a portion of the \$15 million total commitment. Around this time, Crisp and the transaction co-sponsor agreed that Adams Street should syndicate up to \$1.5 million of the commitment to TicketsNow. Adams Street's other partners approved this amount. As lead sponsor, Crisp led efforts to locate syndicate investors for the TicketsNow transaction.

15. The TicketsNow transaction closed in two tranches. The first tranche closed on or around January 19, 2007. Investors in the first tranche received promissory notes convertible to Series A Preferred Stock of TicketsNow. Three of Adams Street's funds – Adams Street V, L.P.; Adams Street 2006 Direct Fund, L.P.; and Adams Street 2007 Direct Fund, L.P. – invested a total of \$9 million at that time. Adams Street did not syndicate any part of the first tranche. The second tranche closed on or around June 15, 2007. Investors in the second tranche received Series A Preferred Stock of TicketsNow.

16. Around the time of the closing of the first tranche, Crisp and Wolf discussed AV Partners investing in TicketsNow. On or around January 17, 2007, Crisp sent TicketsNow's investment summary to Wolf. On or around January 18, Crisp wrote in an email to a TicketsNow employee that AV Partners "will likely be in for \$500,000 to \$1 million" in the TicketsNow transaction.

17. By May 2007, however, Crisp had increased AV Partners's investment in the TicketsNow transaction by \$500,000. On or around May 4, 2007, Crisp and Wolf decided that AV Partners would invest \$1.5 million in the TicketsNow transaction – not the \$500,000 to \$1 million that Crisp previously represented. On or around May 14, Crisp sent an email to attorneys negotiating the documents for the second closing stating that Adams Street "syndicated \$2M of our \$6M remaining investment in TicketsNow." (In addition to AV Partner's \$1.5 million, Adams Street syndicated \$500,000 to Croft & Bender, an entity familiar to Adams Street and suggested by the TicketsNow transaction co-sponsor.)

18. Crisp's May 16 email instructed that his increased syndication to AV Partners reduced *pro rata* the amounts invested in the TicketsNow transaction by Adams Street V, L.P.; Adams Street 2006 Direct Fund, L.P.; and Adams Street 2007 Direct Fund, L.P. As a

result, Crisp's syndication to AV Partners harmed Adams Street's funds. Adams Street never authorized or instructed Crisp to syndicate more than \$1.5 million in the TicketsNow transaction. Crisp lacked the authority to single-handedly change the agreed-upon syndication amount.

19. Crisp concealed his misappropriation of the investment opportunity in TicketsNow's securities, for AV Partners from Adams Street's funds, with intentional and reckless misrepresentations and omissions regarding at least four material facts:

- a. First, Crisp concealed from Adams Street that he redirected the \$500,000 opportunity from Adams Street's funds to AV Partners until two days before the closing of the second tranche. Then, Crisp lied about taking the opportunity for AV Partners. On June 13, 2007, Crisp sent the Adams Street deal co-sponsor documents indicating that Crisp syndicated a total of \$2 million – not the previously-discussed and agreed upon \$1.5 million – in the transaction. When asked about the discrepancy in the syndication amount by the co-sponsor, Crisp falsely replied that the co-sponsor was thinking of a different transaction. Crisp never revealed that he adjusted the syndication amount and that he and Wolf alone decided how much AV Partners would invest in the TicketsNow transaction.
- b. Second, Crisp misrepresented to and concealed from Adams Street and TicketsNow Crisp's involvement with AV Partners, and the resulting conflicts of interest. On or around May 16, 2007, a TicketsNow employee asked Crisp "[w]ho are AV Partners?" Crisp falsely stated that "AV Partners is the investment vehicle of a friend." Adams Street's transaction co-sponsor also asked Crisp multiple times about AV Partners. Each time, Crisp falsely responded that AV Partners was Wolf's personal investment vehicle. Crisp described Wolf as a wealthy individual who set up his own investment vehicle to invest in venture backed companies. Crisp said that he was friendly with Wolf and that they had previously invested together. Moreover, as stated, Crisp failed to disclose AV Partners to Adams Street in the firm's required annual and quarterly disclosures.
- c. Third, Crisp misrepresented to and concealed from Adams Street and TicketsNow that Crisp was motivated by personal profits and conflicting loyalties, not a purported prior commitment, when steering the investment opportunity to AV Partners. On or around May 16, 2007, a TicketsNow employee emailed that he was "surprised" by the increased allocation to AV Partners, and asked Crisp "[w]as this discussed before?" Crisp falsely responded that he "syndicated to both groups [AV Partners and Croft & Bender] right after we did the first close" in January 2007, "Im [*sic*] just honoring my word here." Likewise, in his June 13, 2007 email, Crisp falsely stated that he had committed AV Partners's investment amount "6 months ago right after the first close" and that "[n]ow that things are looking peachy, I wish I hadn't syndicated anything." Crisp thus falsely indicated that he had

syndicated to AV Partners solely to satisfy a prior obligation, and that he was powerless to change it. In truth, on or around May 4, 2007, Crisp and Wolf decided that AV Partners would invest \$1.5 million in TicketsNow, noting its “value.” Also, in fact, Crisp was not honoring a prior commitment – Crisp personally profited more from AV Partners’s investment than if Adams Street had invested in TicketsNow.

- d. Fourth, on or around May 9, 2007, Crisp falsely represented and warranted to Adams Street that he was in compliance with Adams Street’s Integrity Policy. Among other things, the Integrity Policy provided that employees, such as Crisp, obtain Adams Street’s prior approval before investing in portfolio companies, such as TicketsNow. Crisp also hid that his conduct violated, and thus rendered false, similar provisions of Adams Street’s limited partnership agreements for its funds – including for Adams Street V, L.P., Adams Street 2006 Direct Fund, L.P., and Adams Street 2007 Direct Fund, L.P – as well as other documents. Crisp was aware of these requirements, having sought approval in September 2006 for an unrelated transaction. And in another potential Adams Street transaction, Crisp recused himself from Adams Street’s dealings with a company owned by his brother, and in which Crisp had an interest, because of the potential conflict of interest. Yet Crisp never sought or obtained prior approval for AV Partners’s investment in TicketsNow.

20. Crisp’s conduct also substantially assisted Adams Street’s violations with respect to its funds.

21. In February 2008, another ticket broker company purchased TicketsNow by paying a specified amount of cash for each outstanding share of TicketsNow stock. TicketsNow’s shareholders – including AV Partners and Adams Street’s private equity funds – received almost four times their initial investment amount. AV Partners received approximately \$5,749,808. This translated to a profit of \$4,249,808 after Wolf was repaid his initial investment capital. Crisp personally received \$2,124,904 – half of AV Partners’s profits. The additional \$500,000 investment that Crisp usurped from Adams Street for AV Partners resulted in profits (after Wolf was repaid his initial investment) of approximately \$1,416,603, of which Crisp received \$708,301.

Crisp Further Enriched Himself in the TicketsNow Buyout

22. At the time of the TicketsNow buyout in February 2008, Crisp served on the TicketsNow board of directors as Adams Street’s representative. He acted as the firm’s primary point of contact with TicketsNow.

23. On or about February 29, 2008, Crisp received a \$150,000 “transaction bonus” from the TicketsNow closing money. TicketsNow’s other outside directors did not receive similar payments. Indeed, when he learned that certain officers of TicketsNow were to receive bonuses, Crisp demanded that he too be paid a bonus for his contribution to the company. Crisp initially asked for a larger payment, but was negotiated down to \$150,000.

The payment reduced the amount that the company's shareholders – including Adams Street V, L.P.; Adams Street 2006 Direct Fund, L.P.; and Adams Street 2007 Direct Fund, L.P. – received from the buyout proceeds.

24. Crisp did not tell Adams Street or its funds that he requested, negotiated, and received this money. Crisp acted as Adams Street's primary point of contact throughout the buyout and handled virtually all communications with Adams Street's attorneys for the buyout. He instructed TicketsNow personnel to wire the money to his personal bank account – the same account in which Adams Street deposited Crisp's salary. After receiving the money, Crisp took no apparent steps to pay it to Adams Street before he was terminated on or about March 20, 2008.

25. Crisp knew, but ignored, that Adams Street's policies prohibit employees, like Crisp, from receiving personal payments in connection with Adams Street's transactions. And Crisp knew, but ignored, that the limited partnership agreements for Adams Street's funds promise that compensation paid to Adams Street partners, like Crisp, from a portfolio company "shall be remitted to the Management Company [Adams Street] and shall reduce the Management Fee" paid by the funds. Crisp's conduct rendered these representations to Adams Street's funds and investors false. Crisp's decision to ignore these provisions and to keep the money further demonstrates his fraudulent intent and substantial assistance of Adams Street's violations.

Crisp's Deceit Secured a Second Investment Opportunity for AV Partners, and Crisp Tried to Arrange a Second Payout to AV Partners

26. Between March and May 2007 – while Crisp was also syndicating the second tranche of the TicketsNow transaction – Adams Street committed certain of its private equity funds to invest \$14 million in a travel company named Sherman's Travel. Adams Street anticipated syndicating \$1 million of the committed amount. Crisp again served as lead sponsor for this transaction and the same Adams Street partner as in the TicketsNow transaction served as co-sponsor.

27. As lead sponsor on the Sherman's Travel transaction, Crisp met with Adams Street's Direct Investment Team to discuss the transaction, co-authored (with the deal co-sponsor) a memorandum recommending the investment to Adams Street's Investment Committee, and took the lead on otherwise communicating with Adams Street personnel about the transaction. The memorandum to the Investment Committee that Crisp co-authored advised about the company and the market sector, and recommended that Adams Street's funds invest in Sherman's Travel. The Investment Committee decided, as the Management Company and Managing Member of the General Partner, to invest Adams Street's funds' money in the Sherman's Travel transaction.

28. Crisp again syndicated the stock investment opportunity – this time, all \$1 million – to AV Partners. AV Partners continues to own its shares of Sherman's Travel. In their May 4, 2007 email exchange, Crisp and Wolf initially discussed investing \$1.5 million in Sherman's Travel, which would have exceeded Adams Street's \$1 million syndication

amount for that deal. Instead, Crisp and Wolf invested the extra \$500,000 in TicketsNow, which ultimately proved to be the more lucrative opportunity.

29. Crisp again lied about his involvement with AV Partners in connection with the Sherman's Travel transaction. On May 4, 2007, a Sherman's Travel employee asked Crisp by email about AV Partners. Crisp falsely replied that AV Partners was Wolf's "personal investment vehicle, named after the first names of his kids."

30. In December 2007 and January 2008, a Sherman's Travel representative and Crisp exchanged ideas about raising additional capital for the company. Crisp proposed a payout to AV Partners while negotiating possible changes to Adams Street's funds' investment. Ultimately, the discussions did not culminate in a transaction.

Adams Street Terminated Crisp and Crisp Admitted his Wrongdoing

31. After discovering Crisp's misconduct and conducting an internal investigation, Adams Street terminated Crisp on or about March 20, 2008. Adams Street also self-reported the matter to the staff of the Commission. In or around May 2008, Crisp paid \$2,274,903.86 to Adams Street, which equaled Crisp's half of AV Partners's payout from the TicketsNow transaction, plus his \$150,000 merger compensation from the same deal. Crisp, through AV Partners, still holds the interest in Sherman's Travel. Crisp's repayment did not include \$708,302 of AV Partners's profits (after Wolf was repaid his initial investment) from Crisp's increased syndication to it in the TicketsNow transaction.

32. During a phone call with one of Adams Street's partners after Crisp's termination in March 2008, Crisp admitted that his conduct was "clearly against Adams Street's policy, so I [Crisp] didn't tell you [the Adams Street partner]" about the conduct.

33. In or around January 2009, Crisp told an Adams Street partner in a telephone conversation that Crisp sought to raise investor money to start his own investment fund.

34. Crisp's actions described above made use of the mails and other means and instrumentalities of interstate commerce.

E. VIOLATIONS

35. As a result of the conduct described above, Crisp willfully violated Sections 206(1), 206(2) and 206(4) of the Advisers Act, which prohibit fraudulent conduct by an investment adviser, and Rule 206(4)-8 promulgated thereunder, which prohibits fraudulent conduct by advisers to "pooled investment vehicles" with respect to investors or prospective investors in those pools.

36. In the alternative, as a result of the conduct described above, Crisp willfully aided and abetted and caused Adams Street's violations of Sections 206(1), 206(2) and 206(4) of the Advisers Act, which prohibit fraudulent conduct by an investment adviser, and Rule 206(4)-8 promulgated thereunder, which prohibits fraudulent conduct by advisers to

“pooled investment vehicles” with respect to investors or prospective investors in those pools.

37. As a result of the conduct described above, Crisp willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative and cease-and-desist proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(f) of the Advisers Act including, but not limited to, a bar, disgorgement and prejudgment interest, and a civil penalty pursuant to Section 203(i) of the Advisers Act;

D. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 9(b) of the IC Act including, but not limited to, a bar, disgorgement and prejudgment interest, and a civil penalty pursuant to Section 9(d) of the IC Act; and

E. Whether, pursuant to Section 21C of the Exchange Act and Section 203(k) of the Advisers Act, Respondent should be ordered to cease and desist from committing or causing violations of and any future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1), 206(2), and 206(4) of the Advisers Act and Rule 206(4)-8 thereunder.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened not earlier than 30 days and not later than 60 days from service of this Order at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission’s Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission’s Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Elizabeth M. Murphy
Secretary