Special Alert

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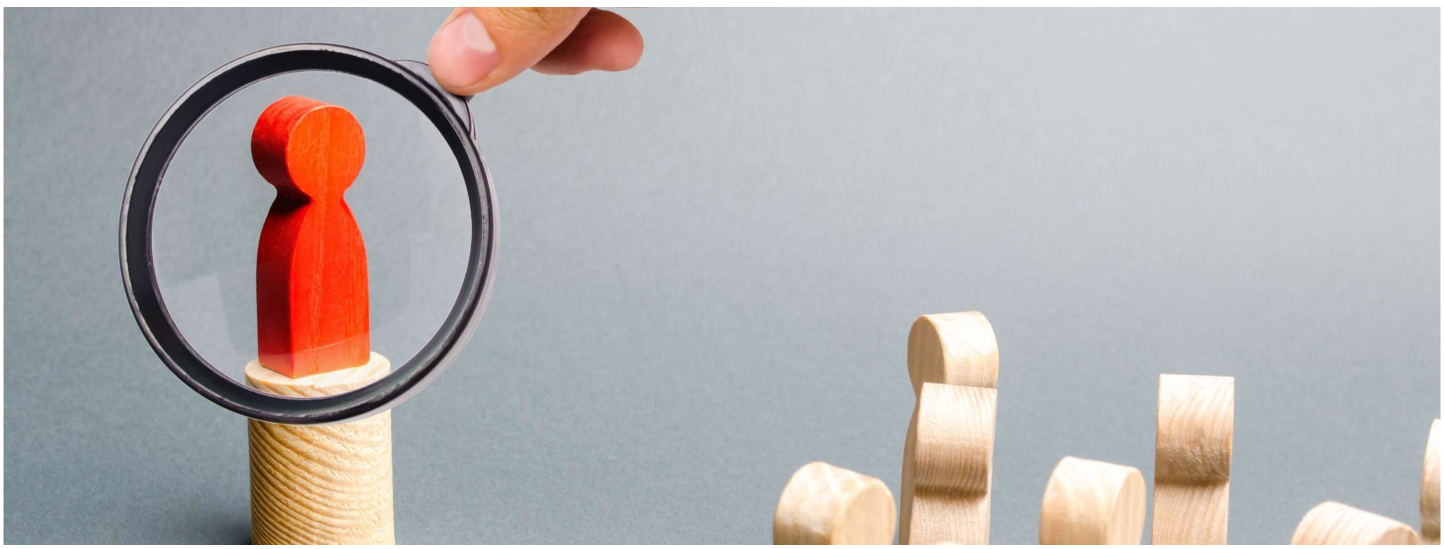
SEC Charges Adit Ventures Management, its CEO and Affiliated General Partners for Alleged Fraud



The Securities and Exchange Commission has filed a complaint alleging that, from at least April 2019 to December 2024, Eric Munson, in his capacity as CEO of Adit Ventures Management, LLC and several affiliated entities, engaged in a years-long scheme that misled investors, misappropriated fund assets, concealed conflicts of interest, and operated in violation of federal investment adviser laws.

The alleged misconduct involved Adit Ventures Management, LLC, an exempt reporting adviser based in New York, as well as affiliated General Partner entities Adit Ventures, LLC, Adit Ventures II, LLC, and Adit Ventures III, LLC (collectively the Defendants). The Commission's complaint also personally names Munson, Adit Ventures' co-founder, Chief Executive Officer, Chief Investment Officer, and Chief Compliance Officer.

Overview of Defendants' Business

The Defendants marketed investment opportunities in private, pooled investment vehicles focused primarily on acquiring shares of private companies before their initial public offerings and collectively managed more than 60 funds with at least 1,000 investors.

Per the relevant fund agreements, the general partners were required to use fund assets solely for the benefit of the respective fund. Munson allegedly exercised significant authority over the management of client funds and investor capital.

The Commission alleges that Munson and the affiliated entities repeatedly solicited investments through misrepresentations and false promises to investors and misused fund resources to advance their own financial interests.

Defendants Induced Investments with Misrepresentations and False Promises

Investor A: the Klarna Shares

One such investor, identified as Investor A, is an investment firm that invests on behalf of both retail and institutional clients. Investor A committed more than $15 million to Fika Holdings SPV III ("Fika"), LP, a special purpose vehicle advised and managed by Adit Ventures Management, LLC.

In the fall of 2020, Munson informed Investor A that Fika owned 32,000 shares of Klarna Holding AB ("Klarna"). Based on those representations, the investor committed more than $15 million to Fika. However, the complaint alleges that the seller of the Klarna shares had already informed Munson that it no longer intended to sell the securities to outside investors. As a result, Fika was not able to acquire the intended Klarna shares.

The complaint alleges that Munson knew this before directing the preparation of a share transfer agreement that was later presented to, and signed by, Investor A. Despite multiple inquiries regarding the agreement, Munson allegedly failed to respond to the investor's concerns regarding the availability of stock certificates and intentionally obscured the unavailability of the stock certificates. The Commission alleges that Investor A's investment was contingent on these material misrepresentations concerning the availability of the Klarna shares.

Investor B: The Falsely Promised Matching Investment

The complaint alleges that another investor, identified as Investor B, agreed to contribute $5 million to Defendant-managed fund Adit Growth Equity II, LLC, after Munson promised that he would personally invest an additional $5 million alongside Investor B. Munson allegedly confirmed to Investor B that the fund would receive a total investment of $10 million for immediate investment.

The Commission's complaint alleges that Munson failed to make the promised investment. Roughly two years later, after Investor B discovered the discrepancy, Munson eventually contributed approximately $2.5 million to the fund, half of the promised amount.

The complaint further alleges that Investor B's entire $5 million contribution was not available for investment because portions of the capital had already been diverted for unauthorized purposes and loans.

Funds from Investor B's $5 million investment were allegedly used to purchase nearly $5 million in pre-IPO shares of Flexport, Inc. Adit Ventures III, allegedly lacked sufficient independent financing for the transaction. Adit Ventures III later sold the Flexport shares for $6.8 million, resulting in approximately $1.8 million in profit. None of those profits were distributed to the fund whose assets financed the purchase.

Fund-to-General Partner Loans

The complaint also alleges a series of loans from client funds to the affiliated general partners, with certain partners even receiving loans from funds they did not manage. These loans allegedly violated fund agreements, ignored direct instructions from investors, and were used to finance investments in pre-IPO securities that would later be resold to client funds at a profit. Investor assets were also allegedly used to cover the general partners' operating expenses.

Fund-to-Fund Loans

The Commission further alleges that the Defendants routinely arranged loans between affiliated funds and often failed to repay them promptly.

One example that was cited occurred in 2021 when Adit Ventures I allegedly borrowed more than $10.2 million from Ethos Holdings SPV LP. The complaint alleges that at least $400,000 of the principal remained unpaid until December 2023, with no interest paid on the loan.

Undisclosed Markups and Prohibited Transactions

According to the complaint, the general partners also repeatedly purchased pre-IPO shares for themselves, then sold those same securities to client funds at higher prices, pocketing the difference. More than 150 such transactions allegedly occurred.

Allegedly, the Defendants executed these transactions without the disclosures and consent required under the Investment Advisers Act. The Commission also alleges that the defendants concealed share price markups by misrepresenting the original purchase prices of securities and charged acquisition fees that either were not disclosed in, or were expressly prohibited by, fund documents.

Investor Assets Pledged as Loan Collateral

The Commission also alleges that even after an investigation into the Defendants' lending practices began, the Defendants continued to misappropriate client assets.

According to the complaint, Munson obtained financing from a third-party lender in order to fund the Defendant's loans owed to client funds and to purchase more pre-IPO stock. The Defendant allegedly offered millions of dollars in investor-owned pre-IPO shares as collateral, falsely representing that these transactions were authorized. The complaint also claims that the Defendants did not inform investors that their assets had been encumbered.

The complaint states that the collateral arrangements remained in place until after the Commission began investigating the firm's lending and borrowing practices, at which point some of the loans were repaid and some of the encumbrances were removed.

Registration Violations

In addition to fraud-related allegations, the SEC contends that the Defendants failed to register as an investment adviser, relying improperly on the venture capital adviser exemption under the Investment Advisers Act.

That exemption is available only to advisers that exclusively advise venture capital funds. The SEC alleges that many of the Defendant's investments did not satisfy the regulatory requirements necessary to qualify for the exemption.

Although the firm allegedly represented to at least one prospective investor in 2022 that it was in the process of registering as an investment adviser, the Commission alleges that it failed to do so. Regulatory filings in 2023 and 2024 continued to claim exempt status.

Alleged Breach of Fiduciary Duties

Investment advisers owe clients duties of loyalty and care. The duty of loyalty requires advisers to act in good faith, disclose material facts and conflicts of interest, and obtain informed consent when conflicts cannot be eliminated. The duty of care requires advisers to provide advice that is in clients' best interest and to monitor investments appropriately.

The Commission's complaint alleges that the defendants repeatedly violated these obligations by misappropriating investor capital for their own benefit, engaging in undisclosed self-dealing transactions, concealing markups, charging unauthorized fees, extending prohibited loans, and pledging client assets as collateral without investor knowledge or consent.

Without admitting the allegations and subject to court approval, the defendants consented to the entry of a judgment in which they agreed to be permanently prohibited from violating the provisions under which they were charged. They also agreed to repay any improper profits and interest, as well as a civil fine to be determined. In addition, Munson agreed to an associational bar, though he may apply for said bar to be lifted after three years.

The Associated Press release and a copy of the complaint can be found below:

https://www.sec.gov/newsroom/press-releases/2026-73-sec-charges-private-fund-adviser-adit-ventures-management-its-ceo-affiliated-general-partners
https://www.sec.gov/files/litigation/complaints/2026/comp-pr2026-73.pdf

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