

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 6953 / March 17, 2026

ADMINISTRATIVE PROCEEDING
File No. 3-22612

In the Matter of

Stuart Frost,

Respondent.

ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 203(f) OF
THE INVESTMENT ADVISERS ACT
OF 1940, MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Stuart Frost (“Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Respondent admits the facts set forth in paragraphs 3-5 of Section III below, acknowledges that his conduct violated Section 206(4) of the Advisers Act and Rule 206(4)-8 thereunder, admits the Commission’s jurisdiction over him and the subject matter of these proceedings, and consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 203(f) of the Advisers Act, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds that:

1. Frost, age 63, is a resident of Laguna Niguel, California, and was the sole owner and manager of Frost Management Company, LLC (FMC”).

2. FMC was a Delaware limited liability company and an exempt reporting investment adviser reporting to the Commission formerly located in San Juan Capistrano, California. As of December 31, 2018, FMC failed to renew its status as an exempt reporting adviser and is currently defunct.

3. On October 31, 2022, the United States District Court for the Central District of California found Respondent had violated Section 206(4) of the Advisers Act and Rule 206(4)-8 thereunder based on Respondent’s admission that he had negligently violated those provisions as alleged in Commission’s complaint in the civil action entitled *Securities and Exchange Commission v. Stuart Frost, et al.*, No.8:19-cv-01559-SPG-JDE (C.D. Cal.) (the “Civil Action”).

4. On September 12, 2025, the United States District Court for the Central District of California issued an order in the Civil Action permanently restraining and enjoining Respondent from any further violations of Section 206(4) of the Advisers Act and Rule 206(4)-8 thereunder.

5. On March 10, 2026, a final judgment was entered in the Civil Action, by consent, against Respondent, permanently restraining and enjoining him from future violations of Sections 206(1) and 206(2) of the Advisers Act and continuing the injunction entered against him on September 12, 2025.

6. The Commission’s complaint alleged that from 2012 through 2016, Respondent was an investment adviser to five private venture capital funds. During that five-year period, Respondent raised nearly \$63 million for the funds. The funds invested in a portfolio of start-up companies using the so-called “Frost incubator model,” in which a Frost-owned company, Frost Data Capital (“FDC”), provided operational support and other services to help “incubate” the start-up companies in anticipation of those companies maturing and ultimately being sold or acquired by another company. In return for those support services, the portfolio companies paid incubator fees to FDC. The complaint alleged that Respondent defrauded the funds and the funds’ investors of over \$14 million by charging undisclosed and unearned management fees and paying undisclosed and excessive incubator fees to start-up companies in which the funds invested. In breach of his fiduciary duties to his clients, the funds, Frost failed to disclose to the funds the existence of or the actual amount of the incubator fees being paid by the portfolio companies and charged undisclosed and improper fund management fees.

7. The complaint further alleged that each of the five private venture capital funds was a pooled investment vehicle within the meaning of Rule 206(4)-8 under the Advisers Act and that Frost made untrue statements of material fact to investors in the funds and otherwise engaged in a fraudulent course of business with respect to those investors by charging undisclosed, excessive and improper incubator fees to the portfolio companies in which the funds invested and by charging undisclosed and improper fund management fees.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Frost's offer.

Accordingly, it is hereby ORDERED, pursuant to Section 203(f) of the Advisers Act, that Respondent Frost be and hereby is barred from association with any investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.

Any application for reentry by the Respondent will be made to the appropriate self-regulatory organization, or if there is none, to the Commission by contacting the Division of Enforcement's Office of Chief Counsel at ENF-Reentry@sec.gov, and will be subject to the applicable laws and regulations governing the reentry process. Reentry may be conditioned upon a number of factors, including, but not limited to, compliance with the Commission's order and payment of any or all of the following: (a) any disgorgement or civil penalties ordered by a Court against the Respondent in any action brought by the Commission; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Vanessa A. Countryman
Secretary