

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 4950 / June 29, 2018**

**INVESTMENT COMPANY ACT OF 1940**  
**Release No. 33143 / June 29, 2018**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-18559**

**In the Matter of**

**Bruce A. Hauptman**

**and**

**Grand Teton Capital  
Management, LLC,**

**Respondents.**

**ORDER INSTITUTING  
ADMINISTRATIVE AND CEASE-AND-  
DESIST PROCEEDINGS, PURSUANT TO  
SECTIONS 203(e), 203(f), and 203(k) OF  
THE INVESTMENT ADVISERS ACT OF  
1940, AND SECTION 9(b) OF THE  
INVESTMENT COMPANY ACT OF 1940,  
MAKING FINDINGS, AND IMPOSING  
REMEDIAL SANCTIONS AND A CEASE-  
AND-DESIST ORDER**

**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 Sections 203(e), 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 (“Investment Company Act”) against Bruce A. Hauptman and Grand Teton Capital Management, LLC (collectively, “Respondents”).

**II.**

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant

to Sections 203(e), 203(f), and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act Of 1940, Making Findings, And Imposing Remedial Sanctions And A Cease-and-Desist Order (“Order”), as set forth below.

### III.

On the basis of this Order and Respondents’ Offers, the Commission finds<sup>1</sup> that:

#### Summary

1. These proceedings concern the misuse and misappropriation of private fund assets by investment adviser Bruce Hauptman and an investment adviser he owned and controlled, Grand Teton Capital Management, LLC (“GTCM”). In 2011, Hauptman solicited at least \$625,000 from investors for a fund he managed, Grand Teton Capital Partners, LP (the “Fund”). In the spring of 2013, after a period of disappointing performance, Hauptman—acting outside the scope of Fund offering documents and without notifying investors—began liquidating the remaining Fund assets. Hauptman misappropriated approximately \$121,026.49 of Fund assets by transferring approximately \$100,273.28 to a personal bank account controlled by his wife, and using approximately \$20,752.71 to pay various fees and personal expenses.

2. Contrary to the Fund’s private placement memorandum, Hauptman transferred the remainder of the Fund assets of approximately \$313,500 to various private entities, including a non-profit run by a friend of Hauptman’s, as well as entities in Hong Kong and Singapore. In total, by October 2013, Hauptman had withdrawn all Fund assets and transferred the monies either to his wife or to third parties unaffiliated with the Fund.

3. To cover up his inappropriate asset transfers and misappropriation of Fund assets, Hauptman misled the Fund’s investors by lying to them about the status of their investments. For example, he told one investor that the Fund had posted gains when in fact it had already been entirely dissipated. Hauptman also refused to provide his investors with details of their investments, and he directed an outside accountant to send investors false tax forms that included Hauptman’s baseless valuation of his inappropriate third-party investments. Hauptman also caused GTCM to file a Form ADV in April 2014 that falsely represented, among other things, that the Fund had \$1,000,000 in assets.

4. As a result of the conduct described above, Hauptman and GTCM willfully violated Sections 206(1), (2), and (4) and Section 207 of the Investment Advisers Act of 1940 (“Advisers Act”) and Rules 206(4)-8(a)(1) and (a)(2) thereunder, by misappropriating Fund assets, investing Fund assets in a way that was inconsistent with Fund offering document disclosures, repeatedly deceiving Fund investors about the status of their investments, and filing a false Form ADV.

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<sup>1</sup> The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

## Respondents

5. **Bruce A. Hauptman** (“Hauptman”), a resident of Wilson, Wyoming, is the sole owner, member, and manager of GTCM, and as such exercised control over both GTCM and Grand Teton Capital Partners, LP (the “Fund”). Hauptman acted as an investment adviser to the Fund. Hauptman conceived of, controlled, managed, and made investment decisions for the Fund, and was compensated for his role in advising the Fund regarding its securities investments.

6. **Grand Teton Capital Management, LLC** (“GTCM”), is a Wyoming limited liability company with its principal place of business in Wilson, Wyoming. GTCM is the general partner of and investment adviser to the Fund. GTCM is authorized to oversee the Fund’s investments and day-to-day operations in exchange for monthly management and performance fees.

## Other Relevant Entities

7. **Grand Teton Capital Partners, LP** (the “Fund”), is a Delaware limited partnership with its principal place of business in Wilson, Wyoming. The Fund was a pooled investment vehicle, for which Hauptman and GTCM served as investment advisers.

## Facts

### ***The Grand Teton Fund: Formation and Fund Strategy***

8. Hauptman formed GTCM and the Fund in approximately December 2010. The Fund’s private placement memorandum (“PPM”) outlined the intended investment strategies for the Fund. The PPM stated:

- GTCM would employ a “global investment strategy” in a search for investment opportunities based on “an analysis intended to identify markets that may experience significant change over the following 18–24 months.”
- Once an investment opportunity is identified, GTCM “will employ equity and fixed income securities as well as currencies” on behalf of the Fund, as well as “financial and commodity futures, stock, index and futures options and currencies in both domestic and foreign markets . . . .”
- GTCM may “purchase any type of *security*” it considers appropriate and in the best interests of the Fund (emphasis added).

9. The Fund governing documents did not contemplate investments in anything other than securities, currencies, or futures contracts. Nothing in the PPM suggested that GTCM retained authority to wire Fund monies to private foreign entities that did not issue or administer any securities, currency-based investments, or futures contracts.

### ***Early Fund Activities: Investments and Hauptman's Trading***

10. By the autumn of 2011, Hauptman had obtained investments for the Fund totaling \$625,000 from three investors. Hauptman invested Fund assets in a variety of securities, including exchange-traded funds, options, and futures relating to gold, energy, or equity indices, and GTCM received at least \$11,744 in management fees from the Fund between September 21, 2011, and December 10, 2012. These management fees were initially paid to GTCM, but Hauptman later caused the fees to be passed to him.

11. In 2012, the Fund performed poorly. The Fund experienced trading-related losses in each of the first nine months, and lost more than 27% for the year. The Fund lost approximately 5% in the first two months of 2013.

12. Then, between approximately February 27, 2013 and March 1, 2013, Hauptman sold the Fund's remaining securities positions and held the Fund's assets in cash in its brokerage account.

### ***Hauptman's Misappropriation of Client Funds and Inappropriate Investments***

13. Between April 1, 2013, and July 1, 2013, in a series of eight large withdrawals totaling \$435,050, Hauptman withdrew substantially all of the Fund's monies from its brokerage account.

14. Hauptman deposited the funds into two bank accounts held in the name of GTCM, and then, contrary to anything contemplated in the Fund offering documents, he proceeded to transfer the funds to various non-Fund related accounts, including a checking account in his wife's name. By October 2013, Hauptman had transferred all Fund assets to his wife or to third parties unaffiliated with the Fund, including approximately \$100,273.78 of Fund assets to his wife's checking account. Hauptman also spent approximately \$20,752.71 of Fund assets on personal expenses, including payments to personal creditors unaffiliated with the Fund.

15. Neither Hauptman's transfers of Fund assets to his wife's account nor his use of Fund assets to pay personal expenses was consistent with Fund governing documents. These transfers were not in the best interests of the Fund, and did not constitute investments in securities, currencies, or futures on behalf of the Fund.

16. In total, Hauptman misappropriated at least \$121,026.49 of Fund assets.

### ***Hauptman's Acts in Furtherance of His Scheme***

17. On numerous occasions, Hauptman furthered his scheme by misleading Fund investors about the status of their investments. At least one Fund investor, in particular, periodically pressed Hauptman for information about the Fund's performance. On November 3, 2013, in response to one such inquiry, Hauptman emailed the investor, saying, "[T]he fund has posted gains in excess of last year's losses so we are in a stronger position." At the time Hauptman sent this email, the Fund's brokerage account held no securities and had a cash balance of less than

\$20. The Fund had no other accounts in its name, and the GTCM bank account contained only \$62.21.

18. Hauptman also misled investors by providing false information to an outside accountant, who in turn passed on this information to Fund investors in their Schedules K-1. On September 10, 2014, Hauptman requested that a tax advisor at a certified public accounting and business advisory firm prepare Schedules K-1 for the 2013 tax year to be distributed to the Fund investors. In that request, Hauptman represented that “\$455,000 was allocated to alternative transaction [*sic*] which had a value of \$700,000 as of December 31, 2013. This amount will be distributed to Grand Teton Capital Fund’s three limited partners per their respective partnership interests in October.”

19. As of September 10, 2014, when Hauptman made these representations, the Fund had only \$21 in cash. Hauptman had no reasonable basis for valuing any of the transfers of Fund assets to third parties, either separately or in combination, at \$700,000 as of December 31, 2013. Hauptman also knew that of the approximately \$435,050 of Fund assets that he withdrew from the Fund’s brokerage account in April and May, 2013, representing substantially all of the Fund assets remaining at that time, he had transferred approximately \$100,273.78 of Fund assets to his wife’s checking account and spent approximately \$20,752.71 of Fund assets on personal expenses, including payments to personal creditors unaffiliated with the Fund.

20. On the basis of Hauptman’s misrepresentation as to the value of the “alternative investment,” the tax advisor prepared—and on September 15, 2014, distributed—Schedules K-1 for the Fund investors, which showed ending capital accounts that collectively totaled \$702,915.

21. In reality, by September 2014, the Fund had lost all of its investors’ capital investments.

22. Hauptman continued to misrepresent the Fund’s returns and the status of investors’ investments in the Fund into 2015. For example, on January 16, 2015, in response to an email from a Fund investor asking for an update on the Fund, Hauptman wrote, “Made a little \$. Wrap up and distribution by end of March with final K-1, etc.” This was patently false, as the Fund had not made any money in 2014.

23. Later in 2015, at least one investor received a Schedule K-1 for the 2014 tax year indicating a more modest gain of approximately 3.7% for the year. Again, given Hauptman’s misappropriation of Fund assets in 2013 and the loss of substantially all remaining Fund assets, Hauptman provided false information to an outside tax adviser for the 2014 tax year for incorporation into the Schedule K-1 provided to the investor.

24. In April 2016, Hauptman admitted in a telephone conversation with two Fund investors that their funds were gone and that he had fabricated amounts appearing in Schedules K-1 sent to Fund investors for tax years 2013 and 2014. In fall 2016, Hauptman distributed Schedules K-1 for the 2015 tax year that reported a complete loss of the investors’ capital investments in the Fund.

### ***GTCM filed a false Form ADV***

25. On April 25, 2014, Hauptman prepared, signed, and caused GTCM to file a false Form ADV exempt reporting adviser final report. In that Form ADV, GTCM represented, among other things, that: (1) the current gross asset value of the Fund was \$1,000,000; (2) the Fund's financial statements were subject to annual audit; (3) the Fund's financial statements were prepared in accordance with U.S. Generally Accepted Accounting Principles; and (4) the Fund used an unrelated, third-party administrator.

26. As of April 25, 2014, all of these statements were false. By that time, the Fund had been entirely liquidated, Hauptman produced no financial statements—audited or otherwise—for the Fund for any time after April 2013, and the Fund's third-party administrator had been terminated as of March, 2013.

### **Violations**

27. As a result of the conduct described above, Respondents willfully violated Sections 206(1) and (2) of the Advisers Act, which prohibit an investment adviser from employing any device, scheme, or artifice to defraud, or to engage in any transaction, practice, or course of business that operates as a fraud or deceit upon any client or prospective client.

28. As a result of the conduct described above, Respondents willfully violated Section 206(4) of the Advisers Act and Rules 206(4)-8(a)(1) and (a)(2) promulgated thereunder, which make it unlawful for any investment adviser to a pooled investment vehicle to “[m]ake any untrue statement of a material fact or to omit to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, to any investor or prospective investor in the pooled investment vehicle” or “engage in any act, practice, or course of business that is fraudulent, deceptive, or manipulative with respect to any investor or prospective investor in the pooled investment vehicle.”

29. As a result of the conduct described above, Respondents willfully violated Section 207 of the Advisers Act, which makes it “unlawful for any person willfully to make any untrue statement of a material fact in any registration application or report filed with the Commission . . . or willfully to omit to state in any such application or report any material fact which is required to be stated therein.”

### **IV.**

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

Accordingly, pursuant to Sections 203(e), 203(f), and 203(k) of the Advisers Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondents Hauptman and GTCM cease and desist from committing or causing any violations and any future violations of Sections 206(1), (2), and (4) and Section 207 of the Advisers Act and Rules 206(4)-8(a)(1) and (a)(2) thereunder promulgated thereunder.

B. Respondent Hauptman be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter.

C. Respondent GTCM is censured.

D. Any reapplication for association by Respondent Hauptman will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (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.

E. Hauptman and GTCM shall, within ten (10) days of the entry of this Order, pay, jointly and severally, disgorgement of \$121,026.49 and prejudgment interest of \$20,417.35 to the Securities and Exchange Commission. The Commission will hold funds paid pursuant to this paragraph in an account at the United States Treasury pending a decision whether the Commission, in its discretion, will seek to distribute funds or, transfer them to the general fund of the United States Treasury, subject to Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600.

F. Hauptman shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of \$160,000 to the Securities and Exchange Commission. The Commission may distribute civil money penalties collected in this proceeding if, in its discretion, the Commission orders the establishment of a Fair Fund pursuant to 15 U.S.C. § 7246, Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended. The Commission will hold funds paid pursuant to this paragraph in an account at the United States Treasury pending a decision whether the Commission, in its discretion, will seek to distribute funds or, subject to Exchange Act Section 21F(g)(3), transfer them to the general fund of the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

- (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

- (2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Hauptman and/or GTCM as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Kurt L. Gottschall, Division of Enforcement, Securities and Exchange Commission, 1961 Stout Street, Suite 1700, Denver, CO 80294.

G. Regardless of whether the Commission in its discretion orders the creation of a Fair Fund for the penalties ordered in this proceeding, amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondents, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondents under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondents of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields  
Secretary