

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

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 5439 / January 31, 2020**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-19685**

**In the Matter of**

**BARTON W. STUCK,**

**Respondent.**

**ORDER INSTITUTING**  
**ADMINISTRATIVE PROCEEDINGS**  
**PURSUANT TO SECTION 203(f) OF THE**  
**INVESTMENT ADVISERS ACT OF 1940,**  
**AND NOTICE OF HEARING**

**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 Barton W. Stuck (“Stuck” or “Respondent”) based on the Final Order issued by the Connecticut Commissioner described below.

**II.**

After an investigation, the Division of Enforcement alleges that:

**A. RESPONDENT**

1. From 2013 through 2017, Respondent exercised control over and was the majority owner of Signal Lake General Partner, LLC (“SL General Partner”) (CRD No. 285438), a purported exempt reporting adviser to Signal Lake Operations, LLC (“SL Operations”), a private fund. From 2008 to 2017, Respondent also served as an agent of Signal Lake Management, LLC (“SL Management”), which transacted business as an unregistered investment adviser. From 2008 to approximately 2014, Respondent and SL Management provided investment advisory services to Signal Lake Side Fund, L.P., Signal Lake Side Fund II, L.P. Signal Lake Side Fund IIA, L.P. (collectively, “Signal Lake Funds”), which were purported to be venture capital vehicles, through which investors could invest in various technology portfolio companies. Respondent, age 73, is a resident of Westport, Connecticut.

2. On February 21, 2018, the United States Attorney's Office for the District of Connecticut charged Stuck with a four count criminal indictment, which included one count of wire fraud (18 U.S.C. Section 1343), one count of money laundering (18 U.S.C. Section 1957) in connection with a scheme to defraud and obtain money from at least one investor in the Signal Lake entities, and two counts of making false statements in forms filed with the Securities and Exchange Commission (18 U.S.C. Section 1001). On October 25, 2018, Stuck entered a guilty plea to all four charges. Stuck is currently free on bond and is awaiting sentencing.

**B. FINAL ORDER OF THE STATE OF CONNECTICUT DEPARTMENT OF BANKING**

3. The Banking Commissioner for the State of Connecticut Department of Banking ("Connecticut Commissioner") is charged with the administration of Chapter 672a of the Connecticut General Statutes, the Connecticut Uniform Securities Act (the "Act"), and the regulations thereunder. On June 27, 2017, the Connecticut Commissioner initiated the state action by issuing an Order to Cease and Desist, Notice of Intent to Fine and Notice of Right to Hearing ("Cease and Desist Notice") against Respondents, SL Management, SL General Partner, the Signal Lake Funds and Stuck.

4. The Connecticut Commissioner held hearings on the matter on November 28 and December 14, 2017. Stuck appeared at the hearing on behalf of all the Signal Lake respondents to the state action. On May 2, 2018, the Connecticut Commissioner entered a final order ("Final Order") against Stuck and the Signal Lake respondents for a number of violations of the Act in connection with the Signal Lake businesses.

5. The Cease and Desist Notice alleged, among other things, that Stuck formed SL Management to serve as the investment manager to the Signal Lake Funds with the intention that each of the funds would invest in software and technology companies. The Cease and Desist Notice also alleged that on January 6, 2003, Stuck also formed Signal Lake SF, LLC ("Signal Lake SF"), a non-respondent to the action, which was formed to serve as the general partner of each of the Signal Lake Funds. Further, that Stuck was the managing member of Signal Lake SF, and as such, controlled and was essentially the alter ego of the Signal Lake Funds and SL Management. The Cease and Desist Notice alleged that Stuck exercised complete control and decision making for the Signal Lake Funds, SL Management, and Signal Lake SF. In addition, Stuck formed SL General Partner to serve as the investment manager of SL Operations. As one of two managing directors of SL General Partner and its majority owner, Stuck controlled and was essentially the alter ego of SL General Partner.

6. The Cease and Desist Notice also alleged the following with respect to the Signal Lake Funds: Stuck on behalf of SL Management offered and/or sold shares of the Signal Lake Funds, including, the SL Side Fund (2008 to approximately 2010), the SL Side Fund II (approximately 2007 to approximately 2014), and the SL Side Fund IIA (approximately 2011 to approximately 2014) from Connecticut to investors in Connecticut and other states. The Cease and Desist Notice alleged that none of the Side Funds securities were ever registered in Connecticut under Section 36b-16 of the Act.

7. The Cease and Desist Notice referenced one investor to whom Stuck and SL Management offered and sold partnership interests in the SL Side Fund II. Between September 16, 2008 and January 14, 2009, the investor purchased \$100,000 of SL Side Fund II partnership interests

in two transactions. In an attempt to induce further investments from the investor, Stuck made certain representations to the investor of other purported investors that had made multi-million dollar investments in the SL Side Fund II. The Cease and Desist Notice alleged that the representations were false as the Connecticut investigation determined that none of the purported investments had actually occurred and that the investor relied on Stuck's representations in making a subsequent investment of \$250,000 in the SL Side Fund II.

8. The Cease and Desist Notice also alleged that during the period from at least 2008 through 2014, SL Management transacted business as an investment adviser by giving securities-related investment advice, through Stuck, to the Funds for compensation without being registered as an investment adviser under the Act. Further, that from approximately 2008 to approximately 2014, SL Management, while transacting business as an investment adviser, engaged Stuck as an unregistered investment adviser agent. During that same period, Stuck transacted business as an investment adviser agent of SL Management by providing investment advice on securities to the Funds for compensation without being registered as an investment adviser agent under the Act.

9. In addition, the Cease and Desist Notice alleged that on October 28, 2016, and March 17, 2017, Stuck, on behalf of SL General Partner, filed with the Commissioner a Form ADV and an Annual Amendment to Form ADV containing certain statements concerning purported gross asset values in the SL Operations private fund and certain bookkeeping representations, which were, at the time and in the light of the circumstances under which they were made, false or misleading in a material respect.

10. After a hearing, the Connecticut Commissioner entered a Final Order that found that the SL Side Fund, SL Side Fund II and SL Side Fund IIA limited partnerships were securities sold from Connecticut. The Final Order also determined that each of the three funds were never registered or the subject of a claimed exemption in Connecticut. The Final Order concluded that Stuck offered and sold unregistered SL Side Fund and SL Side Fund II securities in violation of Section 36b-16 of the Act.

11. The Final Order also found that Stuck's representations to the investor concerning the investment amounts purportedly received by the SL Side Fund II painted a false impression that millions of dollars were imminently being invested in the SL Fund II and that Stuck never qualified or attempted to clarify his statements. Stuck perpetuated the fraud that SL Side Fund II was a very successful partnership with capital commitments in excess of \$150 million. The Final Order concluded that Stuck's conduct constituted, in connection with the offer, sale or purchase of any security, directly or indirectly employing a device, scheme or artifice to defraud, making an untrue statement of a material fact or omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or engaging in an act, practice or course of business which operates or would operate as a fraud or deceit upon any person, in violation of Section 36b-4(a), the anti-fraud provision of the Act.

12. The Final Order concluded that SL Management transacted business as an unregistered investment adviser absent registration by managing the investments for the SL Side Fund, SL Side Fund

II and SL Side Fund IIA and receiving compensation for such services in violation of Section 36b-6(c)(1) of the Act.

13. The Final Order concluded that Stuck transacted business as an investment adviser agent of SL Management in Connecticut absent registration, in violation of Section 36b-6(c)(2) of the Act.

14. The Final Order concluded that SL Management engaged Stuck as an unregistered investment adviser agent in violation of Section 36b-6(c)(3) of the Act.

15. Finally, the Final Order concluded that Stuck made several statements to the Connecticut Commissioner that were false or misleading in connection with SL General Partner's Form ADV filings and that such statements resulted in Stuck and SL General Partner violating Section 36b-23 of the Act.

16. By way of the Final Order, the Connecticut Commissioner issued a permanent cease and desist order against Stuck with respect to his violations of Act and imposed a fine of \$500,000.00 against him.

### **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 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; and

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(f) of the Advisers Act;

### **IV.**

IT IS ORDERED that a public hearing before the Commission for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed by further order of the Commission, pursuant to 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(b) of the Commission's Rules of Practice, 17 C.F.R. § 201.220(b).

IT IS FURTHER ORDERED that the Division of Enforcement and Respondent shall conduct a prehearing conference pursuant to Rule 221 of the Commission's Rules of Practice, 17 C.F.R. § 201.221, within fourteen (14) days of service of the Answer. The parties may meet in person or participate by telephone or other remote means; following the conference, they shall file a statement with the Office of the Secretary advising the Commission of any agreements reached at said

conference. If a prehearing conference was not held, a statement shall be filed with the Office of the Secretary advising the Commission of that fact and of the efforts made to meet and confer.

If Respondent fails to file the directed Answer, or fails to appear at a hearing or conference 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 by any means permitted by the Commission's Rules of Practice.

Attention is called to Rule 151(b) and (c) of the Commission's Rules of Practice, 17 C.F.R. § 201.151(b) and (c), providing that when, as here, a proceeding is set before the Commission, all papers (including those listed in the following paragraph) shall be filed with the Office of the Secretary and all motions, objections, or applications will be decided by the Commission. The Commission requests that an electronic courtesy copy of each filing should be emailed to *APFilings@sec.gov* in PDF text-searchable format. Any exhibits should be sent as separate attachments, not a combined PDF.

The Commission finds that it would serve the interests of justice and not result in prejudice to any party to provide, pursuant to Rule 100(c) of the Commission's Rules of Practice, 17 C.F.R. § 201.100(c), that notwithstanding any contrary reference in the Rules of Practice to filing with or disposition by a hearing officer, all filings, including those under Rules 210, 221, 222, 230, 231, 232, 233, and 250 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.210, 221, 222, 230, 231, 232, 233, and 250, shall be directed to and, as appropriate, decided by the Commission. This proceeding shall be deemed to be one under the 75-day timeframe specified in Rule of Practice 360(a)(2)(i), 17 C.F.R. § 201.360(a)(2)(i), for the purposes of applying Rules of Practice 233 and 250, 17 C.F.R. §§ 201.233 and 250.

The Commission finds that it would serve the interests of justice and not result in prejudice to any party to provide, pursuant to Rule 100(c) of the Commission's Rules of Practice, 17 C.F.R. § 201.100(c), that the Commission shall issue a decision on the basis of the record in this proceeding, which shall consist of the items listed at Rule 350(a) of the Commission's Rules of Practice, 17 C.F.R. § 201.350(a), and any other document or item filed with the Office of the Secretary and accepted into the record by the Commission. The provisions of Rule 351 of the Commission's Rules of Practice, 17 C.F.R. § 201.351, relating to preparation and certification of a record index by the Office of the Secretary or the hearing officer are not applicable to this proceeding.

The Commission will issue a final order resolving the proceeding after one of the following: (A) The completion of post-hearing briefing in a proceeding where the public hearing has been completed; (B) The completion of briefing on a motion for a ruling on the pleadings or a motion for summary disposition pursuant to Rule 250 of the Commission's Rules of Practice, 17 C.F.R. § 201.250, where the Commission has determined that no public hearing is necessary; or (C) The determination that a party is deemed to be in default under Rule 155 of the Commission's Rules of Practice, 17 C.F.R. § 201.155, and no public hearing is necessary.

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.

Vanessa A. Countryman  
Secretary