

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2018060897304**

TO: Department of Enforcement
Financial Industry Regulatory Authority (FINRA)

RE: Christopher J. Shaw (Respondent)
Former General Securities Representative
CRD No. 5011382

Pursuant to FINRA Rule 9216, Respondent Christopher J. Shaw submits this Letter of Acceptance, Waiver, and Consent (AWC) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

- A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Shaw first registered with FINRA in December 2005. From September 2011 through May 2019, Shaw was registered with FINRA as a General Securities Representative through an association with former member firm Kalos Capital, Inc. (CRD No. 44337). From May 2019 through May 2023, Shaw was registered with FINRA through two different FINRA member firms. On May 30, 2023, Shaw's registration was voluntarily terminated by a member firm through the filing of a Uniform Termination Notice for Securities Industry Registration (Form U5).

In November 2022, Shaw entered into an AWC in which he consented to findings that he violated FINRA Rules 3260(b) and 2010 by exercising discretion without written authorization. The AWC suspended Shaw for 15 business days in all capacities and fined him \$5,000.

Although Shaw is no longer registered or associated with a FINRA member firm, he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.¹

¹ For more information about the respondent, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

OVERVIEW

From May 2016 through September 2017, Shaw made unsuitable recommendations of alternative investments to five customers, in violation of FINRA Rules 2111 and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's investigation into sales of offerings related to GPB Capital Holdings, LLC (GPB Capital).

Prior to June 30, 2020, FINRA Rule 2111 required a registered representative to have a reasonable basis to believe that a recommended transaction or investment strategy is suitable for the customer to whom it is recommended, based on information obtained through reasonable diligence to ascertain the customer's investment profile.¹ A customer's investment profile includes, among other things, the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, and risk tolerance. A recommendation may be unsuitable if it results in a concentration in a particular security or category of securities that creates a risk of loss inconsistent with the customer's investment profile. A violation of FINRA Rule 2111 also constitutes a violation of FINRA Rule 2010, which provides that registered representatives, in the conduct of their business, observe high standards of commercial honor and just and equitable principles of trade.

GPB Capital is a New York-based alternative asset management firm founded in 2013. GPB Capital serves as the general partner for limited partnerships formed to acquire income-producing companies. From 2013 through 2018, GPB Capital launched several limited partnerships, each focused on acquiring controlling interests in certain private sector companies.

The securities that GPB Capital sold were not registered. Instead, the limited partnership interests were sold pursuant to Regulation D of the Securities Act of 1933. As a condition of the offerings, only accredited investors were permitted to purchase the GPB Capital limited partnership interests.² Moreover, the GPB Capital offering documents stated that the limited partnership interests were all illiquid securities that were intended to be held by only "sophisticated investor[s]" who were "able to bear the economic and other risks of investment in the [limited partnership interests] for an indefinite period of time." The offering documents further stated that the GPB Capital limited partnership interests were "highly speculative investments which involve a high degree of risk of loss of the entire investment." Such risks involved, among other things, GPB Capital's lack of an operating

¹ On June 30, 2020, recommendations to retail customers became subject to Rule 15c-1 of the Securities Exchange Act of 1934 (Regulation Best Interest). FINRA Rule 2111 is still in effect, but as of June 30, 2020, it no longer applies to recommendations that subject to Regulation Best Interest.

² See 17 CFR §230.501(a) (defining accredited investor).

history and significant expenses, including commissions GPB Capital typically paid to brokerage firms equal to 8% of the gross proceeds of each sale.³

From May 2016 through September 2017, Shaw recommended and sold GPB Capital limited partnership interests to five customers – none of whom were accredited investors – for whom those investments were unsuitable in light of their investment profiles, including their annual incomes and net worths. In addition, as a result of Shaw’s recommendations, each customer’s combined holdings of alternative investments, including GPB Capital, exceeded 30% of the customer’s liquid net worth.

- Between June 2016 and March 2017, Customer A, at Shaw’s recommendation, made three investments in GPB Capital limited partnerships totaling \$254,000. Customer A was a retired 63-year-old with a moderate risk tolerance, and an investment objective of income.
- Between November 2016 and September 2017, Customers B and C, a married couple, at Shaw’s recommendation, made three investments totaling \$210,000 in GPB Capital limited partnerships. Customers B and C were both 64 years old and retired; they had a moderate risk tolerance and an investment objective of income.
- In April 2017, Customer D, at Shaw’s recommendation, made two investments totaling \$250,000 in GPB Capital limited partnerships. Customer D was 68 years old and planning to retire, with a moderate risk tolerance and an investment objective of income.
- In May 2016, Customer E, at Shaw’s recommendation, made one investment of \$90,000 in a GPB Capital limited partnership. Customer E was a retired 64-year-old with a moderate risk tolerance and an investment objective of capital appreciation.

Shaw’s recommendations to purchase GPB Capital limited partnership interests to these customers were unsuitable based on the customers’ age, income, net worth, risk tolerance, and because they were not accredited investors. Additionally, Shaw’s recommendations were unsuitable because they resulted in a level of concentration of the customers’ liquid net worth in alternative investments that was not suitable for their investment profiles.

By reason of the foregoing, Shaw violated FINRA Rules 2111 and 2010.

³ In February 2021, the SEC filed a complaint against GPB Capital and others alleging, among other things, that the defendants engaged in securities fraud in violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. (Case No. 1:21-cv-00583, E.D.N.Y.). The United States Department of Justice also brought criminal charges against GPB Capital’s founder and CEO and two other executives, charging, among other things, securities fraud, mail fraud and wire fraud. (Case No. 1:21-cr-54, E.D.N.Y.). In June 2023, one of GPB Capital’s former executives pled guilty to wire fraud. In August 2024, a federal jury found the GPB Capital’s founder and CEO, along with the other former executive, guilty on all counts.

B. Respondent also consents to the imposition of the following sanctions:

- a three-month suspension from associating with any FINRA member in all capacities;
- a \$5,000 fine; and
- restitution of \$16,357.60 plus interest as described below.⁴

Restitution is ordered to be paid to Customer A (Eligible Customer) in the total amount of the commission he received (\$16,357.60), plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. § 6621(a)(2), from April 1, 2017 until the date this AWC is accepted by the National Adjudicatory Council (NAC).

Respondent has submitted a statement of financial condition and demonstrated an inability to pay full restitution immediately upon issuance of the AWC. In light of the financial status of Respondent, restitution to the Eligible Customer shall be payable on the schedule and in the amounts listed on Attachment A, commencing with the first payment to be made on the 15th day of the month following the notice of acceptance of the AWC.

Respondent shall submit satisfactory proof of payment of restitution and interest or of reasonable and documented efforts undertaken to effect restitution after each payment due under the installment plan. Such proof shall be submitted by email to EnforcementNotice@FINRA.org. The email must identify Respondent and the case number and include a copy of the check, money order, or other method of payment. This proof shall be provided by email to EnforcementNotice@FINRA.org no later than 15 days after each payment is due.

The restitution amount plus interest to be paid to the Eligible Customer shall be treated by the Respondent as the Eligible Customer's property for purposes of state escheatment, unclaimed property, abandoned property, and similar laws. If after reasonable and documented efforts undertaken to effect restitution Respondent is unable to pay the Eligible Customer within 15 days after each payment is due, Respondent shall submit to FINRA in the manner described above a description of Respondent's plan, not unacceptable to FINRA, to comply with the applicable escheatment, unclaimed property, abandoned property, or similar laws for the Eligible Customer.

Respondent specifically and voluntarily waives any right to claim an inability to pay at any time after the execution of this AWC the monetary sanction imposed in this matter.

⁴ The amount of restitution is equal to the portion of the commissions received by Shaw for GPB Capital purchases by Customer A, who did not previously settle a claim with Kalos. Customers B, C, D, and E settled arbitrations filed against Kalos, alleging, among other things, that the GPB Capital investments Shaw recommended and sold were unsuitable.

The imposition of a restitution order or any other monetary sanction in this AWC, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

The fine shall be due and payable either immediately upon reassociation with a member firm or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

Respondent understands that if he is barred or suspended from associating with any FINRA member, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, he may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. *See* FINRA Rules 8310 and 8311.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a complaint issued specifying the allegations against him;
- B. To be notified of the complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made, and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council (NAC) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

Respondent further specifically and voluntarily waives any right to claim that a person violated the *ex parte* prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
 - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313; and
 - 4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.
- D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that he may not deny the charges or make any statement that is inconsistent with the AWC in this statement. This statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA.

Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent has agreed to the AWC's

provisions voluntarily; and no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce him to submit this AWC.

10/09/2024
Date

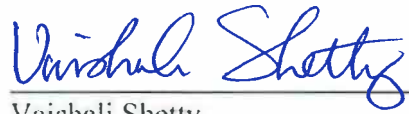


Christopher J. Shaw
Respondent

Accepted by FINRA:

10-23-2024
Date

Signed on behalf of the
Director of ODA, by delegated authority



Vaishali Shetty
Senior Counsel
FINRA
Department of Enforcement
Two Jericho Plaza, 3rd Floor
Jericho, NY 11753

ATTACHMENT A

Restitution Installment Payment

Customer A - \$16,357.60

Installment Payment No.	Total Payment	Payment Due Date
1	\$4,089.40	15 days after the AWC is approved.
2	\$4,089.40	Within 4 months after Installment Payment No. 1
3	\$4,089.40	Within 4 months after Installment Payment No. 2
4	\$4,089.40 plus interest (Installment Payment No. 4 will include the accrued interest on the principal from April 1, 2017, until the date this AWC is accepted by the National Adjudicatory Council (NAC). Interest will be assessed at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code.)	Within 4 months after Installment Payment No. 3