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IN THE MATTER OF THE
INVESTMENT ADVISER
REPRESENTATIVE REGISTRATION
OF STEPHEN KWAN

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Order No. REG-22-SUS-03

TO: Stephen Kwan (CRD No. 3183681)
5019 Bob Wire Rd
Unit 3
Spicewood, TX 78669

DISCIPLINARY ORDER

Be it remembered that Stephen Kwan ("Respondent") appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this order ("Order"), the Findings of Fact, the Conclusions of Law, and the Undertaking incorporated by reference herein.

OVERVIEW

On March 23, 2022, Respondent applied for registration with the Securities Commissioner as an investor adviser representative of Ark Wealth Management ("Ark"). Respondent has also been registered with the Securities Commissioner as an agent and investment adviser representative of Madison Avenue Securities ("MAS") since April 2006. While at MAS, from December 2014 to April 2018, Respondent recommended that a number of his clients purchase interest in GPB Automotive Portfolio, LP ("GPB Automotive"). In July 2017, GPB Automotive's general partner, GPB Capital, initiated a lawsuit against one of its former operating partners associated with GPB Automotive and in response, the former operating partner filed a response and made strong, incriminating counterclaims against GPB Capital (the "Lawsuit").

On April 10, 2018, in response to the Lawsuit, MAS notified Respondent that: 1) they were suspending sales; and 2) that six (6) prior investments sold by Respondent remained pending with GPB Automotive. Accordingly, Respondent was made aware of the allegations and that MAS had significant concerns and had the opportunity to cancel the six (6) pending sales with GPB Automotive. Nevertheless, Respondent continued to maintain his recommendation for the six pending sales of GPB Automotive.

Therefore, as a condition of the granting of his registration, Respondent has consented to the entry of this Order finding that Respondent engaged in an inequitable practice in the sale of securities. Respondent has also agreed to comply with the terms of an undertaking, incorporated by reference herein, wherein Respondent agrees to certain limitations in connection with the sale of alternative investments.

FINDINGS OF FACT

1. Respondent has waived (a) Respondent's right to notice and hearing in this matter; (b) Respondent's right to appear and present evidence in this matter; (c) Respondent's right to appeal this Order; and (d) all other procedural rights granted to the Respondent by The Securities Act, Tex. Gov't Code §§ 4001.001-4008.105 ("Texas Securities Act"), and the Administrative Procedure Act, Tex. Gov't Code Ann. §§ 2001.001-2001.903.
2. On March 23, 2022, Respondent applied for registration with the Securities Commissioner as an investor adviser representative of Ark Wealth Management ("Ark"). This application is currently pending.
3. Respondent has also been registered with the Securities Commissioner as an agent and investment adviser representative of Madison Avenue Securities ("MAS") since April 2006.

GPB Automotive Portfolio, LP

4. GPB Capital is an alternative investment management firm founded in 2013 that serves as the general partner for limited partnerships formed to acquire income-producing companies.
5. One of these, GPB Automotive Portfolio, LP ("GPB Automotive"), was primarily in the business of owning and operating retail-auto dealers. Investments in GPB Automotive were made pursuant to an exemption for private placements from securities registration requirements¹ and were intended only for accredited investors.²
6. In or around September 2014, MAS approved GPB Automotive as one of the products its agents were allowed to offer to its clients.
7. And in or around December 2014, Respondent recommended for the first time that a client of his purchase GPB Automotive.

¹ Regulation D ('Reg D') is a Securities and Exchange Commission ('SEC') regulation governing private placement exemptions. This regulation allows capital to be raised through the sale of equity or debt securities without the need to register those securities with the SEC.

² An individual will be considered an accredited investor if he or she: (1) earned income that exceeded \$200,000 (or \$300,000 together with a spouse) in each of the two prior years, and reasonably expects the same for the current year, OR (2) has a net worth over \$1 million, either alone or together with a spouse (excluding the value of the person's primary residence and any loans secured by the residence).

The GPB Capital Lawsuit

8. In July 2017, GPB Capital initiated a lawsuit alleging wrongful conduct against one of the former operating partners associated with GPB Automotive. And the former operating partner filed a response and counterclaims against GPB Capital on March 19, 2018.
9. The filings made strong accusations, including that GPB Capital engaged in a Ponzi-like scheme to defraud investors by misrepresenting the source of funds used to make monthly distribution payments to investors and paid its investors significant returns based upon falsified financial information.
10. In connection with its ongoing due diligence obligations, MAS met with GPB Capital's management and executive teams in early April 2018 to obtain information surrounding the allegations and the effect the current lawsuit would have on GPB Automotive.
11. Ultimately, on April 10, 2018, MAS made the decision to suspend the selling agreement for GPB Automotive.

Respondent's Recommendations of GPB Automotive Portfolio, LP

12. Shortly after making the decision to suspend the selling agreement for GPB Automotive, MAS notified Respondent that: 1) they were suspending sales; and 2) that six (6) prior investments sold by Respondent remained pending with GPB Automotive.
13. Accordingly, Respondent was made aware of the allegations and that MAS had significant concerns. MAS then gave the Respondent the option to cancel the six (6) pending sales with GPB Automotive.
14. Respondent continued to maintain his recommendation for the six (6) pending sales of GPB Automotive.
15. As a result, investors in GPB have and will likely continue to suffer losses to their investments.
16. Since the unfolding of these events, three of GPB Capital and affiliated entity's executive officers have been indicted and charged with securities fraud, wire fraud, and conspiracy in connection with their business activities concerning GPB Capital.³

³ On February 4, 2021, the SEC charged David Gentile, owner and CEO of GPB Capital, Jeffrey Schneider, owner of GPB Capital's placement agent Ascendant Capital, and Jeffrey Lash, a former managing partner at GPB Capital, with running a Ponzi-like scheme that raised over \$1.7 billion from securities issued by New York-based GPB Capital. If convicted, they each could face up to 20 years imprisonment.

17. In November 2021, under the authority of an SEC monitor, GPB Automotive sold the majority of its assets to Group One Automotive and have issued net asset value statements to investors stating that the value of their shares is approximately 65% of their original investment, not counting distributions that have been previously paid to investors.

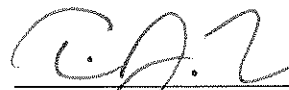
CONCLUSIONS OF LAW

1. Respondent did not have a reasonable basis to believe that GPB Automotive continued to be a suitable recommendation after MAS suspended the selling agreement which constitutes an inequitable practice in the sale of securities.
2. Pursuant to Section 4007.105(a)(3)(A) of the Texas Securities Act, the aforementioned inequitable practices in the sale of securities constitutes a basis for the issuance of an order suspending Respondent.

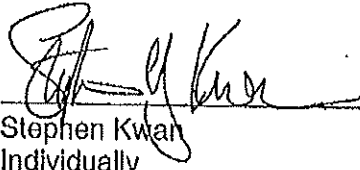
ORDER

1. It is therefore ORDERED that the registration of Stephen Kwan as an investment adviser representative of Ark Wealth Management with the Securities Commissioner is hereby GRANTED.
2. It is further ORDERED that the investment adviser representative registration of Stephen Kwan is hereby SUSPENDED for a period of ninety (90) days from the date this Order is entered by the Securities Commissioner.
3. It is further ORDERED that Stephen Kwan COMPLY with the terms of the undertaking incorporated by reference herein.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 2nd day
of November, 2022.



TRAVIS J. ILES
Securities Commissioner


Stephen Kwan
Individually

Approved as to Form:

Cristi R. Ochoa
Cristi Ochoa,
Attorney
Inspections & Compliance Division

Nadda Rungruangphol
Nadda Rungruangphol,
Attorney
Registration Division