

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 6802 / December 20, 2024

ADMINISTRATIVE PROCEEDING
File No. 3-22371

In the Matter of

ROSE PARK ADVISORS, LLC and
MATTHEW Q. CHRISTENSEN,

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, 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”) against Rose Park Advisors, LLC (“Rose Park”) and Matthew Q. Christensen (“Christensen,” and, with Rose Park, “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents submitted an Offer of Settlement (the “Offer”) 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, 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' Offer, the Commission finds¹ that:

Summary

1. Registered investment adviser Rose Park Advisors, LLC ("Rose Park") and its owner Matthew Q. Christensen ("Christensen") failed to disclose actual or potential conflicts of interest arising from Christensen's familial and financial connections to the Chief Executive Officer ("CEO") of Portfolio Company A. Shares of Portfolio Company A were held by the Disruptive Innovation Fund, LP ("Fund"), a private fund advised by Rose Park. Between November 2012 and April 2024, Rose Park and Christensen advised the Fund to make a series of investments, totaling \$49.6 million, in Portfolio Company A. Portfolio Company A's CEO is Christensen's uncle, and the two men have a close relationship. In addition, as of December 2012, Portfolio Company A's CEO served as trustee for three trusts where Christensen is a beneficiary. The trusts are among the Fund's largest investors and, as trustee, Portfolio Company A's CEO had the authority to select investments on behalf of the trusts. Further, in spring 2021, Portfolio Company A's CEO, in his capacity as trustee for the trusts, entered into a series of transactions pursuant to which the trusts guaranteed repayment of a substantial line of credit to Christensen. As part of that transaction, Portfolio Company A's CEO, as trustee for the trust Christensen's mother settled, pursuant to the express terms of the trust, certified a sub-trust had been created for the benefit of Christensen and transferred to that sub-trust 20% of the interest Christensen's mother's trust had in the Fund, corresponding to Christensen's beneficial interest in his mother's trust. Portfolio Company A's CEO, as co-trustee for the descendant's trusts and the family trust that Christensen's father settled, also signed pledge agreements on behalf of those trusts pledging trust assets for the line of credit facility to Christensen.

2. Respondents had a duty to disclose to the Fund these actual or potential conflicts of interest. Yet neither Rose Park nor Christensen disclosed any of these conflicts prior to committing the Fund's capital to Portfolio Company A.

Respondents

3. **Rose Park Advisors, LLC** is a Delaware limited liability company with its principal place of business in Boston, Massachusetts. Rose Park has been registered with the Commission as an investment adviser since July 14, 2015. In its Form ADV filed on May 2, 2024, Rose Park reported that it had approximately \$632 million in regulatory assets under management.

4. **Matthew Q. Christensen**, age 47, is a resident of Belmont, Massachusetts. Christensen helped found Rose Park in 2007, and he currently owns 100% of the firm. Christensen is the Managing Partner of Rose Park.

¹ The findings herein are made pursuant to Respondents' Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Related Entity

5. **Portfolio Company A** is a Delaware corporation and a portfolio investment of the Fund. Christensen's uncle has been the CEO of the company for over a decade.

Facts

The Fund's Investments in Portfolio Company A

6. Rose Park advises various private funds, including the Fund. The Fund is designed to invest primarily in private startup and early-stage companies that fall within the disruptive innovation investment theory. The Fund generally makes an initial investment in a company, and follow-on investments as needed over the course of many years. Christensen, in his role as managing partner at Rose Park, makes investment decisions for the Fund.

7. Rose Park's investor relations team sends quarterly updates to investors in the Fund. These quarterly updates inform investors about the investments the Fund has made, including information on the portfolio companies' prospects and how they fit within the investment strategy on which the Fund is based.

8. Rose Park's compliance manual provides that "[t]he Firm has a fiduciary duty to place the interests of the Funds before the interests of the Firm and its Supervised Persons. This fiduciary duty includes an obligation to disclose and to avoid both actual conflicts of interest and the appearance of any conflicts of interest."

9. On November 28, 2012, Christensen caused the Fund to make an initial investment of \$1.5 million in Portfolio Company A, a startup founded by Portfolio Company A's CEO and two others. Between March 2014 and April 2024, the Fund made an additional 42 follow-on investments, for a total investment as of April 2024 of \$49.6 million.

10. The Fund was the only investor in Portfolio Company A, and the capital infusions from the Fund were essential for Portfolio Company A to maintain its business operations, including salaries to the CEO and other employees.

The Undisclosed Connections Between Christensen and Portfolio Company A's CEO

11. The familial and financial connections between Christensen and Portfolio Company A's CEO presented multiple actual or potential conflicts of interest that required disclosure to the Fund.

12. Portfolio Company A's CEO is Christensen's uncle, and the two men had a close personal relationship. The familial relationship between Christensen and Portfolio Company A's CEO was known within Rose Park, including by firm compliance personnel. Christensen, Portfolio Company A's CEO, and their families socialized and spent holidays (e.g., Christmas and Thanksgiving) together. In 2021, Christensen gifted Portfolio Company A's CEO a car that cost more than \$175,000. This relationship between the two men created a potential conflict of interest.

On October 26, 2023, Rose Park and Christensen disclosed to the Fund's Advisory Committee that Portfolio Company A's CEO is Christensen's uncle.

13. Beyond their personal and familial relationship, Christensen and Portfolio Company A's CEO shared financial connections. In particular, in December 2012 (after the Fund's initial investment in Portfolio Company A), Portfolio Company A's CEO became the trustee for irrevocable trusts Christensen's parents settled. In addition to serving as trustee for these two trusts, Portfolio Company A's CEO also served as a co-trustee, along with Christensen, for a descendant's trust established under Christensen's mother's trust. Christensen is a beneficiary of all three trusts. In his capacity as trustee of these trusts, Portfolio Company A's CEO controlled the timing and amount of funds Christensen could receive consistent with the trusts' terms, thereby creating an actual or potential conflict of interest.

14. In his capacity as trustee for these three family trusts, Portfolio Company A's CEO had the authority to decide where to invest trust assets. The trusts were among the top five largest investors in the Fund. At Christensen's direction, Rose Park waived management and incentive fees for the trusts until late 2021. Since then, also at Christensen's direction, Rose Park has collected about \$5 million in discounted management and incentive fees from the trusts. Christensen had an actual or potential conflict of interest, as he directed the Fund to invest in Portfolio Company A while Portfolio Company A's CEO held investment discretion over some of the Fund's largest investors.

15. The financial connections between Christensen and Portfolio Company A's CEO were known within Rose Park, including by firm compliance personnel. Nevertheless, neither Rose Park nor Christensen ever disclosed those actual or potential conflicts of interest to the Fund. As of April 2024, Portfolio Company A's CEO no longer serves as trustee for the trusts discussed above.

16. Certain of the quarterly updates Rose Park provided to investors in the Fund explained the basis for investing in Portfolio Company A in the context of its investment framework, but did not disclose the familial relationship or the fact that Portfolio Company A's CEO served as trustee for the trusts invested in the Fund and for which Christensen was a beneficiary, rendering them misleading.

The Undisclosed Financial Transaction Portfolio Company A's CEO Facilitated

17. In the spring of 2021, Portfolio Company A's CEO, in his capacity as trustee, entered into a series of transactions to obtain a personal line of credit to Christensen from a third-party lender. Christensen's mother's trust dated December 3, 2012 provided that the trustee shall divide the trust property into equal shares for each beneficiary. In his capacity as trustee for the trust Christensen's mother settled, Portfolio Company A's CEO, in March 2021, caused Christensen's mother's trust to transfer Christensen's equal share (*i.e.* 20%) of the trust's interest in the Fund to the separate descendant's trust for which Christensen was the sole beneficiary. The stake transferred to the descendant's trust had significant value.

18. The transfer of the interest in the Fund to the descendant's trust related to a contemporaneous transaction pursuant to which Christensen obtained a substantial revolving credit facility. Portfolio Company A's CEO, in his roles as co-trustee for the descendant's trust and trustee for the trust Christensen's father settled, signed pledge agreements pursuant to which the descendant's trust and the trust Christensen's father settled guaranteed Christensen's obligation to repay the loan. Christensen used proceeds from the loan to make a follow-on investment in the Fund.

19. At no time did Rose Park or Christensen disclose to the Fund or its investors these transactions or the attendant actual or potential conflicts of interest. In June 2022, Christensen paid off and closed the credit facility.

20. These transactions were known within Rose Park both leading up to and at the time of signing the documents in March 2021, including by the firm's compliance personnel. Nevertheless, neither Rose Park nor Christensen disclosed the actual or potential conflicts of interest these transactions created.

21. The quarterly updates Rose Park provided to investors, while explaining the basis for investing in Portfolio Company A in the context of the Fund's investment framework, did not disclose these financial transactions, rendering them misleading.

Violations

22. As a result of the conduct described above, Rose Park and Christensen willfully violated Section 206(2) of the Advisers Act, which makes it unlawful for any investment adviser, directly or indirectly, to "engage in any transaction, practice or course of business which operates as a fraud or deceit upon any client or prospective client." Scienter is not required to establish a violation of Section 206(2); a violation may rest on a finding of negligence. *SEC v. Steadman*, 967 F.2d 636, 643 n.5 (D.C. Cir. 1992) (citing *SEC v. Capital Gains Rsch. Bureau, Inc.*, 375 U.S. 180, 194-95 (1963)).

23. As a result of the conduct described above, Rose Park willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-8 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 light of the circumstances under which they were made, not misleading, to any investor or prospective investor in the pooled investment vehicle; or [o]therwise 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." A showing of negligence is enough to establish a violation of Section 206(4) of the Advisers Act or Rule 206(4)-8 thereunder; proof of scienter is not required. *Steadman*, 967 F.2d at 647.

24. As a result of the conduct described above, Rose Park willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder, which require a registered investment adviser to adopt and implement written compliance policies and procedures reasonably designed to

prevent violations of the Advisers Act and the rules thereunder by the adviser and its supervised persons.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in the Offer of Respondents Rose Park and Christensen.

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

A. Rose Park cease and desist from committing or causing any violations and any future violations of Sections 206(2) and 206(4) of the Advisers Act and Rules 206(4)-7 and 206(4)-8 promulgated thereunder.

B. Christensen cease and desist from committing or causing any violations and any future violations of Section 206(2) of the Advisers Act.

C. Rose Park and Christensen are censured.

D. Respondent Rose Park shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$550,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). Respondent Christensen shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$50,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). 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 Rose Park or Christensen as a Respondent in these proceedings and the file number of the proceedings; a copy of the cover letter and check or money order must be sent to Colin D. Forbes, Assistant Director, Securities and Exchange Commission, 33 Arch Street, Boston, MA 02110.

E. 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 Respondents' 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 Respondents 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 Respondent Christensen, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent Christensen 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 Respondent Christensen 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.

Vanessa A. Countryman
Secretary