

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2018060897201**

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

RE: Concorde Investment Services, LLC (Respondent)
Member Firm
CRD No. 151604

Pursuant to FINRA Rule 9216, Respondent Concorde Investment Services, LLC 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

Concorde has been a FINRA member since 2010. The firm, which is headquartered in Ann Arbor, Michigan, has 53 branch offices and approximately 145 registered representatives.

In July 2020, Concorde entered into an AWC in which the firm consented to findings that, from April 2013 to March 2014, the firm failed to reasonably supervise a former registered representative of the firm, who permitted another person to conduct a securities business through the firm while serving a one-year suspension imposed by FINRA and recommended unsuitable trades in several customers' accounts. As a result, Concorde violated NASD Rule 3010 and FINRA Rules 3110 and 2010. Concorde was censured, fined \$300,000, and ordered to pay restitution of \$76,344.20, plus interest.¹

OVERVIEW

Between November 2015 and April 2018, Concorde failed to reasonably supervise recommendations to purchase alternative investments related to GPB Capital Holdings, LLC (GPB Capital), made to six customers. As a result, the firm violated FINRA Rules 3110 and 2010.

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

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's investigation into sales of offerings related to GPB Capital.

FINRA Rule 3110 requires a member firm to establish, maintain, and enforce a system, including written supervisory procedures (WSPs), to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. The duty to supervise under Rule 3110 also includes the responsibility for firms and their designated supervisors to reasonably investigate red flags of potential misconduct and to act upon the results of their investigation. A violation of FINRA Rule 3110 also is a violation of FINRA Rule 2010, which requires member firms to "observe high standards of commercial honor and just and equitable principles of trade" in the conduct of their business.

Prior to June 30, 2020, FINRA Rule 2111 required member firms and their associated persons to have a reasonable basis to believe that a recommended securities transaction or investment strategy was suitable for a customer, based on information obtained through the reasonable diligence of the firm or associated person to ascertain the customer's investment profile.² A customer's investment profile includes, but is not limited to, the customer's age, other investments, financial situation and needs, investment objectives, investment experience, investment time horizon, liquidity needs, and risk tolerance. A recommended securities transaction or investment strategy may be unsuitable if it results in a customer's account being concentrated in a particular security or category of securities in a manner that is inconsistent with the customer's investment profile.

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 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.³ Moreover, the GPB Capital offering documents stated that the limited partnership interests were 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

² FINRA Rule 2111 is still in effect, but as of June 30, 2020, it no longer applies to recommendations that are subject to Regulation BI under the Securities Exchange Act of 1934.

³ See 17 CFR §230.501(a) (defining accredited investor).

offering documents further stated that the GPB Capital limited partnership interests were highly speculative and involved a high degree of risk of loss.⁴

The GPB Capital limited partnerships that Concorde's representatives recommended were alternative investment products. Alternative investments are products that have complex terms and features not easily understood. Although alternative investments may be offered to retail investors in an attempt to increase investors' potential return on investments, alternative investments correspondingly may involve greater degrees of risk. Alternative investments may, for example, have less market liquidity and less transparency regarding their pricing and value.

Between November 2015 and April 2018, Concorde failed to reasonably supervise recommendations to purchase GPB Capital limited partnership interests made to six retail customers for whom those recommendations were unsuitable. All six customers had conservative or moderate risk tolerances. Such recommendations were unsuitable for those customers in light of the substantial risks of the GPB Capital limited partnership interests. Additionally, Concorde maintained suitability guidelines that permitted representatives to recommend that customers hold, at most, 30% of their exclusive net worth in alternative investments.⁵ The recommendations made by Concorde's representatives resulted in five of these customers, all of whom were seniors, investing over 30% of their exclusive net worths in alternative investments, which was apparent on suitability paperwork that the representatives submitted to the firm contemporaneous with the customers' investments. Such concentrated positions were unsuitable.

Concorde failed to reasonably respond to these red flags that its representatives were making unsuitable recommendations. After receiving and reviewing the suitability paperwork submitted by its representatives, Concorde performed no further inquiry to determine whether the recommendations were suitable in light of the customers' investment profiles.

In April 2018, Concorde stopped allowing its registered representatives to recommend GPB Capital limited partnership interests. The firm has since updated its WSPs and supervisory controls concerning alternative investments.

By failing to reasonably supervise recommendations to purchase alternative investments related to GPB Capital Holdings, Concorde violated FINRA Rules 3110 and 2010.

⁴ 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 GPB Capital's founder and CEO, along with the other former executive, guilty on all counts.

⁵ "Exclusive net worth" refers to a customer's total assets, not including primary home, home furnishings, and automobile, minus total liabilities excluding mortgage and auto debt that is equal to or less than the fair market value of the home/auto.

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

- a censure;
- a \$110,000 fine; and
- partial restitution of \$20,382.39, plus interest as described below.⁶

Respondent agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Partial restitution is ordered to be paid to the customers listed on Attachment A to this AWC (Eligible Customers) in the total amount of \$20,382.39, 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 the respective dates set forth on Attachment A until the date this AWC is accepted by the National Adjudicatory Council (NAC).

A registered principal on behalf of Respondent shall submit satisfactory proof of payment of restitution and interest (separately specifying the date and amount of each paid to each Eligible Customer) or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted by email to EnforcementNotice@FINRA.org from a work-related account of the registered principal of Respondent. 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 120 days after the date of the notice of acceptance of the AWC.

The restitution amount plus interest to be paid to each 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 all Eligible Customers within 120 days after the date of the notice of acceptance of the AWC, Respondent shall submit to FINRA in the manner described above a list of the unpaid Eligible Customers and a description of Respondent's plan, not unacceptable to FINRA, to comply with the applicable escheatment, unclaimed property, abandoned property, or similar laws for each such Eligible Customer.

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

⁶ The amount of partial restitution, which is being paid to three customers, is equal to the commissions that Concorde received from the issuers for the GPB Capital investments at issue in this AWC. Three customers will not receive partial restitution because they previously settled claims related to their GPB Capital investments with the firm.

The imposition of a restitution order or any other monetary sanctions 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.

Restitution payments to customers shall be preceded or accompanied by a letter, not unacceptable to FINRA, describing the reason for the payment and the fact that the payment is being made pursuant to a settlement with FINRA and as a term of this AWC.

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 it;
- 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 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 it 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.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent has agreed to the AWC's provisions voluntarily; and that 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 Respondent to submit this AWC.

October 23, 2024

Date

Danielle Delongchamp, CEO

Concorde Investment Services, LLC
Respondent

Print Name: Danielle Delongchamp, CEO

Title: President & CEO

Reviewed by:

Michael P. Shaw

Michael P. Shaw, Esq.
Counsel for Respondent
The Shaw Law Group
233 E. Redwood St.
Suite 400L
Baltimore, MD 21202

Accepted by FINRA:

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

November 4, 2024

Date

Vaishali Shetty

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

ATTACHMENT A

RESTITUTION SCHEDULE

Customer	Investment Date	Restitution Amount
Customer 1	6/28/2016	\$2,882.39
Customer 2	5/25/2017	\$14,000
Customer 3	6/9/2017	\$3,500
TOTAL		\$20,382.39

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT

NO. 2018060897201

STATEMENT OF CORRECTIVE ACTION

(This Statement of Corrective Action is submitted on behalf of the Respondent. It does not constitute factual or legal findings by FINRA, nor does it reflect views of FINRA, or its staff.)

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

FROM: Danielle Delongchamp, CEO
Concorde Investment Services, LLC (“Respondent” or “Concorde”)
CRD No. 151604

In connection with the Letter of Acceptance, Waiver and Consent (“AWC”) in this matter, No. 2018060897201, Concorde Investment Services, LLC submits the following Statement of Corrective Action.

The activities described herein demonstrate the steps Concorde has taken that address the issues raised in the AWC. As a result of these steps, Concorde believes it is in full compliance with FINRA Rule 3110, which requires member firms to establish, maintain, and enforce a system, including written supervisory procedures (WSPs), to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. Additionally, Concorde believes it is in full compliance with FINRA Rule 2010, which requires member firms to “observe high standards of commercial honor and just and equitable principles of trade” in the conduct of their business.

From 2011 to 2018, Concorde implemented several guidelines to provide instruction to its registered representatives when making a recommendation of an alternative investment to customers and prospective customers. In 2019, Concorde began incorporating these guidelines in its WSPs. Below is a timeline reflecting the date that Concorde implemented each guideline regarding recommendations of alternative investments:

November 2011	Concorde implemented a <i>Business Development Company Disclosure and Acknowledgement form</i> , which included concentration guidelines. Concorde provided daily training and communication to its registered representatives on these concentration guidelines.
---------------	---

2013	Concorde implemented an <i>Investor Qualification and Suitability Questionnaire</i> to be used by its registered representatives for the purchase of any non-conventional investments. Concorde communicated to its registered representatives modifications and updates to this form via quarterly webinars and compliance update emails. Additionally, Concorde made this form and the updates available to its registered representatives
------	--

on Concorde's Intranet portal, as well as within the firm's systems, to which all representatives had access.

March 28, 2014	Concorde added concentration guidelines to its product-type specific disclosure forms, such as the <i>Private Placement Disclosure and Acknowledgement form</i> , and the <i>Non-Traded Real Estate Investment Trust Disclosures and Acknowledgement form</i> . Concorde communicated these guidelines to its registered representatives via email on March 28, 2014, and again on April 9, 2014.
June 4, 2014	Concorde implemented <i>The Private Placement Disclosure and Acknowledgement Form</i> (the "PPD Form") in the context of Concorde's decision to develop disclosure forms for the specific types of complex products it was selling, including private placements. Via email, Concorde informed its registered representatives of the purpose of this form and its intended use.
September 23, 2014	Concorde provided training via quarterly webinars when updates were made to the PPD Form.
March 12, 2015	Concorde again provided training via quarterly webinars when further updates were made to the PPD Form.
February 1, 2018	Concorde presented a webinar to its registered representatives for the purpose of reviewing its complex products forms. Following this webinar, Concorde emailed the slide deck of the training, as well as PDFs containing detailed notes on how to use these forms.

By incorporating in its WSPs the written guidelines that provide instruction to its registered representatives on how and when to use Concorde's disclosure forms, Concorde has taken the necessary steps to strengthen its policies and procedures for communicating the material risks to its customers when offering complex or alternative investments.

Additionally, in connection with this AWC, Concorde has strengthened its supervisory system with respect to alternative investments, including oversight of sales practices, monitoring concentration limits, and detecting red flags.

Finally, it is important to note that in April 2018, Concorde ceased allowing its registered representatives to recommend GPB Capital limited partnership interests to Concorde customers and prospective customers.