FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2021069395701

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

RE: Dalmore Group LLC (Respondent)
Member Firm
CRD No. 136352

Pursuant to FINRA Rule 9216, Respondent Dalmore Group 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

Dalmore has been a FINRA member since November 2005. The firm has approximately 35 registered representatives, seven branches, and is headquartered in Woodmere, New York. Dalmore's primary business is acting as broker-dealer of record for private offerings. Dalmore's private offerings business includes, in some instances, having issuer-associated salespeople register with FINRA through an association with Dalmore, and providing due diligence, advertising review, investor suitability review, and other compliance services. Dalmore is compensated by, among other things, commissions on sales.

In an AWC issued in March 2021, FINRA found that Dalmore failed to establish and maintain a supervisory system, including written supervisory procedures, reasonably designed to ensure compliance with the firm's suitability obligations in private offerings between March 2017 and December 2018, in violation of FINRA Rules 3110 and 2010. FINRA found that the firm, rather than conducting an independent investigation of the offerings, relied almost exclusively on documentation and information provided by the issuers. FINRA also found that Dalmore failed to submit required offering documents to FINRA within 15 calendar days of the date of first sale for 26 private placements, from April 2017 through February 2019, in violation of FINRA Rules 5123 and 2010. Dalmore was censured and fined $40,000.[1]

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

OVERVIEW

From January 2019 to December 2022, Dalmore failed to establish and maintain a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with its suitability and best interest obligations in connection with its sale of private placements, in violation of Rule 15*l*-1(a)(1) under the Securities Exchange Act of 1934 (Regulation Best Interest or Reg BI), and FINRA Rules 3110 and 2010.

During the same period, Dalmore failed to establish and maintain a reasonable supervisory system to prevent misuse of material non-public information, in violation of FINRA Rules 3110 and 2010.

From January 2019 to the present, Dalmore has failed to fingerprint non-registered associated persons who are required to be fingerprinted, in violation of Section 17(f) of the Exchange Act, Exchange Act Rule 17f-2, and FINRA Rule 2010.

From October 2019 to the present, Dalmore has failed to report, or to timely report, the outside business activities of ten of its registered representatives on their Uniform Applications for Securities Industry Registration (Forms U4), in violation of Article V, Section 2(c) of FINRA's By-Laws and FINRA Rules 1122 and 2010.

From October 2020 to the present, Dalmore has violated content standards in FINRA Rule 2210 through retail communications on three websites and in one web-based video series promoting the firm's securities business.

From May 2022 to at least September 2023, Dalmore failed to specify a date by which a private offering's minimum raise contingency had to be met, and released investor funds to the issuer before the contingency was met, in willful violation of Section 10(b) of the Exchange Act and Exchange Act Rule 10b-9, and in violation of FINRA Rule 2010.

Finally, from August 2022 to January 2023, Dalmore provided late, incomplete, and inaccurate responses to FINRA requests for documents and information, in violation of FINRA Rules 8210 and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's cycle exam of Dalmore.

A. Dalmore failed to establish and maintain a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with its suitability and best interest obligations in connection with its sale of private placements.

As of June 30, 2020, broker-dealers and their associated persons are required to comply with Regulation BI under the Securities Exchange Act of 1934. Rule 15*l*-1(a)(1) of Reg BI requires a broker, dealer, or a natural person associated with a broker or dealer, when making a recommendation of any securities transaction or investment strategy involving securities (including account recommendations) to a retail customer, to act in the best

interest of that retail customer at the time the recommendation is made, without placing the financial or other interest of the broker, dealer, or associated person ahead of the interest of the retail customer. Reg BI's Compliance Obligation, set forth at Exchange Act Rule 15*l*-1(a)(2)(iv), requires a broker-dealer to establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Reg BI. Reg BI's Adopting Release provides that broker-dealers should consider the nature of that firm's operations and how to design such policies and procedures to prevent violations from occurring, detect violations that have occurred, and to correct promptly any violations that have occurred.[2]

FINRA Rule 3110(a) requires that each member establish and maintain a system 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. FINRA 3110(b) requires each member to establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.

A violation of Reg BI or FINRA Rule 3110 is also a violation of FINRA Rule 2010, which requires member firms, in the conduct of their business, to "observe high standards of commercial honor and just and equitable principles of trade."

Dalmore's supervisory obligations include the obligation to review the activities of its associated persons to achieve compliance with the Care Obligation of Reg BI (Exchange Act Rule 15*l*-1(a)(2)(ii)), which requires broker-dealers and their associated persons to exercise reasonable diligence, care, and skill to, among other things, understand the potential risks, rewards, and costs associated with a recommendation. Prior to June 30, 2020, FINRA Rule 2111 required members and associated persons to have a reasonable basis to believe that a recommendation of a transaction or investment strategy involving a security to any customer is suitable for the customer. FINRA Rule 2111 is still in effect but, as of June 30, 2020, it no longer applies to recommendations that are subject to Reg BI. Rule 2111.05(a) defines the reasonable-basis obligation to require members and their associated persons to have an understanding of the potential risks and rewards associated with the recommended security or strategy and to have a reasonable basis to believe, based on reasonable diligence, that the recommendation is suitable for at least some investors.

Regulatory Notice 10-22 (April 20, 2010) reminded firms of their obligation to conduct a reasonable investigation of the issuer and the securities they recommend in connection with private placements. Firms may not rely solely upon the issuer for information concerning the issuer and while firms are not expected to have the same knowledge as an issuer or its management, they are required to conduct a reasonable investigation that independently verifies an issuer's material representations and claims. To satisfy its

[2] *Regulation Best Interest: The Broker-Dealer Standard of Conduct*, Exchange Act Release No. 86031, 84 FR 33318 at 33397 (July 12, 2019).

obligations, a firm should, at a minimum, conduct a reasonable investigation of the issuer and its management; the business prospects of the issuer; the assets held by or to be acquired by the issuer; the claims being made; and the intended use of proceeds of the offering. Furthermore, to demonstrate that it has performed a reasonable investigation, a firm should retain records documenting both the process and results of its investigation. FINRA recently issued Regulatory Notice 23-08 (May 9, 2023) to reiterate and expand upon these principles.

Between January 2019 and December 2022, Dalmore registered representatives recommended private placements to investors, including retail customers as defined by Reg BI, and received commissions on sales. Dalmore's WSPs stated that some investigation into each private offering was required "as appropriate for the proposed offering." Yet Dalmore did not consistently: (i) set forth what steps registered representatives and supervisors should take to investigate each offering; (ii) identify the individuals responsible for conducting, documenting, reviewing, and approving each investigation; or (iii) describe how a record of investigation into each private offering should be maintained.

In the absence of such guidance, Dalmore failed to reasonably supervise its due diligence for each private offering. Although Dalmore asked issuers to complete a checklist of items for investigation, for some offerings, Dalmore had no checklist or other record of any investigation having been conducted; had a checklist that was missing information; or had a checklist completed by the issuer without any record of a supervisory review having been conducted by the firm.

Dalmore's WSPs did not reference Reg BI until February 28, 2021, eight months after Reg BI took effect. After February 2021, Dalmore's WSPs provided only general information about the firm's obligations under Reg BI, without tailoring that guidance to Dalmore's business.

Therefore, Dalmore violated Exchange Act Rule 15*l*-1(a)(1) and FINRA Rules 3110 and 2010.

B. Dalmore failed to establish and maintain a supervisory system, including written supervisory procedures, reasonably designed to prevent the misuse of material, non-public information.

Brokerage firms that conduct investment banking are required to maintain a restricted list, to maintain a watch list, and to conduct reviews of employee and proprietary trading in securities appearing on those lists.[3] A restricted list is usually distributed periodically throughout the firm to make employees aware of those securities that the firm is restricted or prohibited from recommending or trading.

From at least January 2019 to December 2022, Dalmore's supervisory system was unreasonable in the following respects: (i) Dalmore's WSPs did not provide clear

[3] Notice to Members 91-45 (NASD.NYSE Joint Memo) (June 21, 1991).

guidance on whether to distribute the firm's restricted list to its registered representatives; (ii) until July 2021, the firm did not regularly distribute the restricted list to registered representatives and had no other method of identifying for representatives the securities that were restricted; and (iii) after July 2021, when it began regularly distributing its restricted list, the firm failed to regularly update the list to make it current.

Therefore, Dalmore violated FINRA Rules 3110 and 2010.

C. Dalmore failed to fingerprint associated persons.

Exchange Act Rule 17f-2 requires all partners, directors, officers, and employees of broker-dealers, unless they are exempt, to be fingerprinted. Members are responsible for obtaining a prospective employee's fingerprints and certain required identifying information so that the firm can determine whether the prospective employee is subject to statutory disqualification.[4] A violation of Rule 17f-2 is also a violation of FINRA Rule 2010.

From January 2019 to the present, Dalmore has failed to fingerprint 45 non-registered associated persons who were not exempt from fingerprinting requirements.

Therefore, Dalmore violated Section 17(f) of the Exchange Act, Exchange Act Rule 17f-2, and FINRA Rule 2010.

D. Dalmore failed to report or timely report outside business activities.

Article V, Section 2(c) of FINRA's By-Laws requires that every Form U4 be kept current through supplementary amendments within thirty days after learning of the facts or circumstances giving rise to the amendment. FINRA Rule 1122 prohibits members from filing with FINRA information with respect to registration which is incomplete or inaccurate so as to be misleading or failing to correct such filing after notice thereof. At all relevant times, Question 13 on the Form U4 requires the disclosure of other business activities. A violation of Article V, Section 2(c) of FINRA's By-Laws or FINRA Rule 1122 is also a violation of FINRA Rule 2010.

Between October 2019 and the present, the firm has failed to report six outside business activities of six registered representatives on their Forms U4. During the same period, Dalmore untimely updated the Forms U4 of four other registered representatives to disclose another four outside business activities between two and nine months late. All of these outside business activities were disclosed to the firm at or around the time the representatives registered with FINRA through an association with the firm.

Therefore, Dalmore violated Article V, Section 2(c) of FINRA's By-Laws, and FINRA Rules 1122 and 2010.

[4] Notice to Members 05-39 (May 26, 2005).

E. Dalmore violated FINRA's standards for communications with the public.

FINRA Rule 2210 sets forth content standards for member communications, including "retail communications," defined as "any written (including electronic) communication that is distributed or made available to more than 25 retail investors within any 30 calendar-day period." FINRA Rule 2210(d)(1)(A) provides that all member communications

> must be based on principles of fair dealing and good faith, must be fair and balanced, and must provide a sound basis for evaluating the facts in regard to any particular security or type of security, industry, or service. No member may omit any material fact or qualification if the omission, in light of the context of the material presented, would cause the communications to be misleading.

FINRA Rule 2210(d)(1)(B) states that "no member may make any false, exaggerated, unwarranted, promissory or misleading statement or claim in any communication. No member may publish, circulate or distribute any communication that the member knows or has reason to know contains any untrue statement of a material fact or is otherwise false or misleading." FINRA Rule 2210(d)(1)(F) provides that "communications may not predict or project performance, imply that past performance will recur or make any exaggerated or unwarranted claim, opinion or forecast." FINRA Rule 2210(e)(1), in pertinent part, prohibits communications that state or imply that FINRA, or any other regulatory organization, endorses the class or type of securities offered, or any specific security. A violation of FINRA Rule 2210 is also a violation of FINRA Rule 2010.

From October 2020 to the present, Dalmore has violated FINRA Rule 2210's content standards in retail communications on three websites and in one web-based video series, all featuring securities offerings with Dalmore as broker-dealer of record.

Website A was created by a former registered representative of Dalmore to sell private offerings offered through Dalmore to foreign investors. Dalmore reviewed and approved the content of Website A, which failed to prominently disclose key risks of each offering made available on the website, and included statements that were unwarranted and promissory regarding investment and liquidity risk. For example, Website A stated that "the risk of getting your capital returned in a timely manner is manageable"; and "investors may be required to keep their money in the business for one year[, a]fter that time, they can sell whenever they like." In addition, Website A featured sales pitch videos for private offerings that included (i) promissory and unwarranted claims, for example, that an offering was a "once-in-a-century opportunity"; (ii) prohibited projections of performance such as "[c]umulative distribution at exit, on a per-annum basis: 8%"; and (iii) financial forecasts, such as "[g]ross profits over 8 quarters [of] $160 M," that lacked a sound basis for evaluation, clear explanations of the key assumptions

underlying the forecasted metrics, and the key risks that may impede the achievement of the forecasted metrics.

Website B, an online real estate investment platform, marketed private placement offerings sold through Dalmore and was reviewed and approved by the firm. Website B contained unwarranted and promissory statements, and prohibited quantified projections of performance, including internal rates of return and net operating income for specific investments.

Website C marketed investments in collectible assets offered for sale under Regulation A. Dalmore reviewed and approved the content of Website C's site and promoted the platform. Website C included statements that were exaggerated and unwarranted and failed to prominently disclose investment risks. Additionally, Website C stated that it "only offers securities that are regulated by the US Securities & Exchange Commission (the "SEC") to protect our investors[,]" and "[a]ll of our investments are reviewed and vetted by a FINRA registered broker-dealer." These statements impermissibly implied that the investments were safe or had been endorsed by the firm's regulators.

Finally, Dalmore served as broker-dealer of record for the offerings of securities under Regulation A promoted to the public in a multi-episode web-based video series that was reviewed and approved by the firm, and was used to promote start-up companies offering securities for sale under Regulation A through Dalmore. Each episode was made publicly available through broadcasts and publication on multiple social media platforms and a website dedicated to the series. The series included numerous statements that violated FINRA's content standards, including by failing to prominently disclose key risks of each offering, and making unwarranted and promissory statements such as "[w]e believe that [an issuer] in the next 10 years will be the biggest music company in the world" and another issuer "could be producing potentially 2-3 times more cash flow current day if they were more aggressive with their advertising."

Therefore, Dalmore violated FINRA Rules 2210(d)(1)(A), (d)(1)(B), (d)(1)(F), (e)(1), and 2010.

F. Dalmore failed to state a date by which a private placement offering's minimum raise contingency had to be met, and approved investments for closure before the contingency was met.

Certain private placements are structured as contingency offerings, i.e., securities offered on an "all-or-none" or "part-or-none" basis, which require all or a certain amount of the securities to be sold for the offering to close. Under Exchange Act Rule 10b-9, a contingency offering must provide for the prompt return of investor funds in the event the requisite contingency fails to be met by a certain date. If the minimum investment contingency amount is not raised by that date, the broker-dealer must terminate the offering and promptly return all funds to investors. While not a guarantee, satisfaction of a minimum contingency indicates to investors that the offering was priced fairly. A violation of Exchange Act Rule 10b-9 is also a violation of FINRA Rule 2010.

From May 2022 to at least September 2023, Dalmore participated in a private offering for a start-up seeking to acquire and operate certain franchises, with a minimum offering contingency. The private placement memorandum for this offering stated that there would be a minimum raise of $5,000,000 and a maximum raise of $24,500,000, with "an initial closing when [the issuer] has commitments for the Minimum Offering Amount" followed by additional closings on a rolling basis. Dalmore failed to specify an actual date by which the minimum contingency had to be met. Dalmore also approved over 50 individual investments totaling approximately $3 million for disbursement to the issuer, on a rolling basis, while falling $2 million or more short of the contingency.

Therefore, Dalmore willfully violated Section 10(b) of the Exchange Act and Exchange Act Rule 10b-9, and violated FINRA Rule 2010.

G. Dalmore failed to provide timely, complete, and accurate responses to requests for documents and information.

FINRA Rule 8210(a)(1) authorizes FINRA to require its member firms and their associated persons "to provide information orally, [or] in writing, . . . with respect to any matter involved in the investigation." Likewise, FINRA Rule 8210(a)(2) authorizes FINRA to "inspect and copy the books, records, and accounts of such member or person with respect to any matter involved in the investigation." F1NRA Rule 8210(c) states that "[n]o member or person shall fail to provide information . . . pursuant to this Rule." A violation of FINRA Rule 8210 is also a violation of FINRA Rule 2010.

From August 2022 to January 2023, Dalmore provided late, incomplete, and inaccurate responses to five requests, sent pursuant to FINRA Rule 8210. The requests sought substantially similar documents and information about what roles and responsibilities certain foreign non-registered associated persons performed at Dalmore. In response, Dalmore: (i) omitted some individuals entirely; (ii) vaguely described the responsibilities of over two dozen individuals as "coordinates email requests" while omitting that certain individuals had managerial responsibilities and could access the firm's original books and records; and (iii) provided inaccurate titles such as administrative assistant, support lead, or operations lead, when the same persons held themselves out, including in firm email and on-line profiles, as Vice President, Director, and Department Head of Regulation A Trading. Dalmore supplemented its responses only after repeated communications from FINRA questioning the completeness of prior responses. The failure to provide timely, complete, and accurate information delayed FINRA's investigation, including by obscuring the roles and responsibilities of various associated persons at the firm.

Therefore, Dalmore violated FINRA Rules 8210 and 2010.

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

- a censure;
- a $375,000 fine; and
- An undertaking that, within 90 days of the date of the notice of acceptance of this AWC, a member of Respondent's senior management who is a registered principal of the firm shall certify in writing that, as of the date of the certification, the firm has remediated the supervisory and other issues identified in this AWC and implemented a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with Article V, Section 2(c) of FINRA's By-Laws and FINRA Rules 1122, and 2210, and Exchange Act Rules 10b-9, 15*l*-1(a)(2)(iv), and 17f-2, regarding the issues identified in this AWC. The certification shall include a narrative description and supporting exhibits sufficient to demonstrate Respondent's remediation and implementation. FINRA staff may request further evidence of Respondent's remediation and implementation, and Respondent agrees to provide such evidence. Respondent shall submit the certification to Lorraine Page, Senior Paralegal, at Lorraine.Page@finra.org and 9509 Key West Avenue, Rockville, MD 20850, with a copy to EnforcementNotice@finra.org. Upon written request showing good cause, FINRA staff may extend this deadline.

Respondent agrees to pay the monetary sanction 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. 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 sanction imposed in this matter. Respondent understands that this settlement includes a finding that it willfully violated Rule10b-9 of the Securities Exchange Act of 1934 and that under Article III, Section 4 of FINRA's By-Laws, this makes Respondent subject to a statutory disqualification with respect to membership. 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 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 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.

9/6/2024
Date

Dalmore Group, LLC
Respondent

Print Name: Oscar Seidel

Title: CEO

Reviewed by:

Alan M. Wolper
Counsel for Respondent
UB Greensfelder LLP
500 W. Madison Street Suite 3600
Chicago, Illinois 60661-4587

Accepted by FINRA:

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

September 17, 2024

Date

John-Michael Q. Seibler
Principal Counsel
FINRA
Department of Enforcement
9509 Key West Avenue
Rockville, MD 20850