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**IN THE MATTER OF:**  
**SCHUPP & GROCHMAL, LLC**  
**SG INSURANCE INVESTMENT FUND, LLC**  
**SG INSURANCE & TECHNOLOGY**  
**INVESTMENT FUND, LLC**  
**DAVID ALEXANDER SCHUPP**  
**CRD NO. 415958**  
  
**(Collectively, “Respondents”)**  
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**CONSENT ORDER**  
**NO. CO-20-8389-S**

**I. PRELIMINARY STATEMENT**

**WHEREAS**, the Banking Commissioner (“Commissioner”) is charged with the administration of Chapter 672a of the General Statutes of Connecticut, the Connecticut Uniform Securities Act (“Act”) and Sections 36b-31-2 to 36b-31-33, inclusive, of the Regulations of Connecticut State Agencies (“Regulations”) promulgated under the Act;

**WHEREAS**, Schupp & Grochmal, LLC is a Connecticut limited liability company that was formed on December 20, 1999, whose address last known to the Commissioner is 64 Higley Road, West Granby, Connecticut 06090. Schupp & Grochmal, LLC was formerly known as Townsend, Schupp & Grochmal, LLC. Schupp & Grochmal, LLC is part of a Connecticut Insurance Reinvestment Act Program (“Reinvestment Program”) which eventually became administered by the State of Connecticut

Department of Economic and Community Development. Schupp & Grochmal, LLC has never been registered in any capacity under the Act;

**WHEREAS**, David Alexander Schupp (“Schupp”) is an individual whose address last known to the Commissioner is 64 Higley Road, West Granby, Connecticut 06090. Schupp is the managing member of Schupp & Grochmal, LLC. Schupp has never been registered in any capacity under the Act;

**WHEREAS**, Frederick Snow Townsend, Jr. (“Townsend”) is an individual whose address last known to the Commissioner is 11 Cole Road, Wolcott, Connecticut 06716-2554;

**WHEREAS**, Joseph Lawrence Grochmal, Jr. (CRD No. 1012907) (“Grochmal”) is an individual whose address last known to the Commissioner is 359 North Plain Road, Housatonic, Massachusetts 01236-9741;

**WHEREAS**, Schupp, Townsend and Grochmal established two Connecticut funds, SG Insurance Investment Fund, LLC and SG Insurance & Technology Investment Fund, LLC (collectively, “Funds”), to participate in the Reinvestment Program;

**WHEREAS**, SG Insurance Investment Fund, LLC (originally known as TSG Insurance Investment Fund, LLC), is a Connecticut limited liability company that was formed on February 1, 2000, and whose address last known to the Commissioner is c/o Schupp & Grochmal, LLC, 64 Higley Road, West Granby, Connecticut 06090. The investment adviser to the fund is Schupp & Grochmal, LLC. Schupp is a manager/member of SG Insurance Investment Fund, LLC;

**WHEREAS**, SG Insurance & Technology Investment Fund, LLC (originally known as TSG Insurance & Technology Investment, LLC) is a Connecticut limited liability company that was formed on February 1, 2000, and whose address last known to the Commissioner is c/o Schupp & Grochmal, LLC, 64 Higley Road, West Granby, Connecticut 06090. The investment adviser to the fund is Schupp & Grochmal, LLC. Schupp is a manager/member of SG Insurance & Technology Investment Fund, LLC;

**WHEREAS**, the Commissioner, through the Securities and Business Investments Division (“Division”) of the Department of Banking (“Department”), conducted an investigation pursuant to

Section 36b-26(a) of the Act into the activities of Respondents to determine if they had violated, were violating or were about to violate any provision of the Act or Regulations (“Investigation”);

**WHEREAS**, as a result of such Investigation, the Division obtained evidence that at various times from approximately 2011 to the present, Schupp & Grochmal, LLC transacted business as an unregistered investment adviser and engaged one or more unregistered investment adviser agents;

**WHEREAS**, as a result of such Investigation, the Division obtained evidence that at various times from approximately 2011 to the present, Schupp transacted business as an unregistered investment adviser agent;

**WHEREAS**, as a result of such Investigation, the Division obtained evidence that at various times from approximately 2011 to the present, Respondents offered and sold membership interests in the Funds in or from Connecticut to at least one investor. The membership interests constitute a “security” within the meaning of Section 36b-3(19) of the Act. The securities were not registered in Connecticut under Section 36b-16 of the Act nor were they the subject of a filed exemption claim or claim of covered security status;

**WHEREAS**, as a result of the Investigation, the Commissioner has reason to believe that the foregoing conduct would support the initiation of administrative proceedings seeking the entry of a cease and desist order against Respondents under Section 36b-27(a) of the Act and the imposition of a fine upon Respondents under Section 36b-27(d) of the Act;

**WHEREAS**, Section 36b-31(a) of the Act provides, in relevant part, that “[t]he commissioner may from time to time make . . . such . . . orders as are necessary to carry out the provisions of sections 36b-2 to 36b-34, inclusive”;

**WHEREAS**, Section 36b-31(b) of the Act provides, in relevant part, that “[n]o . . . order may be made . . . unless the commissioner finds that the action is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of sections 36b-2 to 36b-34, inclusive”;

**WHEREAS**, an administrative proceeding initiated under Section 36b-27 of the Act would constitute a “contested case” within the meaning of Section 4-166(4) of the General Statutes of Connecticut;

**WHEREAS**, Section 4-177(c) of the General Statutes of Connecticut and Section 36a-1-55(a) of the Regulations provide that a contested case may be resolved by consent order, unless precluded by law;

**WHEREAS**, without holding a hearing and without trial or adjudication of any issue of fact or law, and prior to the initiation of any formal proceeding, the Commissioner and Respondents reached an agreement, the terms of which are reflected in this Consent Order, in full and final resolution of the matters described herein;

**WHEREAS**, Respondents expressly consent to the Commissioner’s jurisdiction under the Act and to the terms of this Consent Order;

**WHEREAS**, Respondents, through their execution of this Consent Order, specifically represent and agree that none of the violations alleged in this Consent Order shall occur in the future;

**AND WHEREAS**, the Commissioner finds that the issuance of this Consent Order is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act.

## **II. CONSENT TO WAIVER OF PROCEDURAL RIGHTS**

**WHEREAS**, Respondents, through their execution of this Consent Order, voluntarily waive the following rights:

1. To be afforded notice and an opportunity for a hearing within the meaning of Section 36b-27 of the Act and Section 4-177(a) of the General Statutes of Connecticut;
2. To present evidence and argument and to otherwise avail themselves of Section 36b-27 of the Act and Section 4-177c(a) of the General Statutes of Connecticut;
3. To present their position in a hearing in which each is represented by counsel;
4. To have a written record of the hearing made and a written decision issued by a hearing officer; and
5. To seek judicial review or otherwise challenge or contest the validity of this Consent Order.

### **III. ACKNOWLEDGEMENT OF THE COMMISSIONER'S ALLEGATIONS**

**WHEREAS**, Respondents, through their execution of this Consent Order, acknowledge the following allegations of the Commissioner, without admitting or denying them, yet admit that, if the allegations are proven, the Commissioner could find facts to support the issuance of an order to cease and desist, an order to make restitution, and/or an order imposing a maximum administrative fine of One Hundred Thousand Dollars (\$100,000) per violation of the Act or any regulation, rule or order adopted or issued under the Act:

1. Schupp & Grochmal, LLC violated Section 36b-6(c)(1) of the Act by transacting business as an unregistered investment adviser;
2. Schupp & Grochmal, LLC violated Section 36b-6(c)(3) of the Act by engaging one or more unregistered investment adviser agents;
3. Respondents violated Section 36b-16 of the Act by offering and selling securities in or from Connecticut that were not registered under the Act nor were they the subject of a filed exemption claim or claim of covered security status; and
4. Schupp violated Section 36b-6(c)(2) of the Act by transacting business as an unregistered investment adviser agent;

**WHEREAS**, the Commissioner would have the authority to enter findings of fact and conclusions of law after granting Respondents an opportunity for a hearing;

**AND WHEREAS**, Respondents acknowledge the possible consequences of an administrative hearing and voluntarily agree to consent to the entry of the sanctions described below.

### **IV. CONSENT TO ENTRY OF SANCTIONS**

**WHEREAS**, Respondents, through their execution of this Consent Order, consent to the Commissioner's entry of a Consent Order imposing the following sanctions:

1. Schupp & Grochmal, LLC, its representatives, agents, employees, affiliates, assigns, subsidiaries, and successors in interest shall cease and desist from engaging in conduct constituting or which would constitute a violation of the Act or any regulation, rule or order adopted or issued under the Act, including without limitation, violations of Sections 36b-6(c)(1) and 36b-6(c)(3) of the Act, either directly or through any person, organization or other device;
2. SG Insurance Investment Fund, LLC, its representatives, agents, employees, affiliates, assigns, subsidiaries, and successors in interest shall cease and desist from engaging in conduct constituting or which would constitute a violation of the Act or any regulation, rule or order

adopted or issued under the Act, including without limitation, violations of Section 36b-16 of the Act, either directly or through any person, organization or other device;

3. SG Insurance & Technology Investment Fund, LLC, its representatives, agents, employees, affiliates, assigns, subsidiaries, and successors in interest shall cease and desist from engaging in conduct constituting or which would constitute a violation of the Act or any regulation, rule or order adopted or issued under the Act, including without limitation, violations of Section 36b-16 of the Act, either directly or through any person, organization or other device;
4. Schupp, directly or through any person, organization, entity or other device, shall cease and desist from engaging in conduct constituting or which would constitute a violation of the Act or any regulation, rule or order adopted or issued under the Act, including without limitation, violations of Sections 36b-6(c)(2) and 36b-16 of the Act; and
5. No later than the date this Consent Order is entered by the Commissioner, Respondents shall jointly and severally remit to the Department by cashier's check, certified check or money order made payable to "Treasurer, State of Connecticut" the sum of ten thousand five hundred ten dollars (\$10,510), seven thousand five hundred dollars (\$7,500) of which shall constitute an administrative fine and three thousand ten dollars (\$3,010) of which shall represent reimbursement for past due registration fees.

## **V. CONSENT ORDER**

**NOW THEREFORE**, the Commissioner enters the following:

1. The Sanctions set forth above be and are hereby entered;
2. Entry of this Consent Order by the Commissioner is without prejudice to the right of the Commissioner to take enforcement action against Respondents based upon a violation of this Consent Order or the matters underlying its entry, if the Commissioner determines that compliance with the terms herein is not being observed;
3. Nothing in this Consent Order shall be construed as limiting the Commissioner's ability to take enforcement action against Respondents based upon evidence of which the Division was unaware on the date hereof relating to a violation of the Act or any regulation or order under the Act;
4. Respondents shall not take any action or make or permit to be made any public statement, including in regulatory filings, any proceeding in any forum or otherwise, denying, directly or indirectly, any allegation referenced in this Consent Order or create the impression that this Consent Order is without factual basis;
5. Respondents shall not take any position in any proceeding brought by or on behalf of the Commissioner, or to which the Commissioner is a party, that is inconsistent with any part of this Consent Order. However, nothing in this provision affects Respondents' testimonial obligations or right to take a legal or factual position in litigation or other legal proceeding in which the Commissioner is not a party; and

6. This Consent Order shall become final when entered.

So ordered at Hartford, Connecticut,  
this 21st day of August 2020.

\_\_\_\_\_/s/\_\_\_\_\_  
Jorge L. Perez  
Banking Commissioner

**CONSENT TO ENTRY OF ORDER**

I, David Alexander Schupp, state on behalf of Schupp & Grochmal, LLC, that I have read the foregoing Consent Order; that I know and fully understand its contents; that I am authorized to execute this Consent Order on behalf of Schupp & Grochmal, LLC; that Schupp & Grochmal, LLC agrees freely and without threat or coercion of any kind to comply with the terms and conditions stated herein; and that Schupp & Grochmal, LLC consents to the entry of this Consent Order.

Schupp & Grochmal, LLC

By: \_\_\_\_\_/s/\_\_\_\_\_  
David Alexander Schupp  
Managing Member

Date: 7/28/20



**CONSENT TO ENTRY OF ORDER**

I, David Alexander Schupp, state on behalf of SG Insurance Investment Fund, LLC, that I have read the foregoing Consent Order; that I know and fully understand its contents; that I am authorized to execute this Consent Order on behalf of SG Insurance Investment Fund, LLC; that SG Insurance Investment Fund, LLC agrees freely and without threat or coercion of any kind to comply with the terms and conditions stated herein; and that SG Insurance Investment Fund, LLC consents to the entry of this Consent Order.

SG Insurance Investment Fund, LLC

By: \_\_\_\_\_/s/\_\_\_\_\_  
David Alexander Schupp  
Managing Member

Date: 8/25/2020 [sic]

**CONSENT TO ENTRY OF ORDER**

I, David Alexander Schupp, state on behalf of SG Insurance & Technology Investment Fund, LLC, that I have read the foregoing Consent Order; that I know and fully understand its contents; that I am authorized to execute this Consent Order on behalf of SG Insurance & Technology Investment Fund, LLC; that SG Insurance & Technology Investment Fund, LLC agrees freely and without threat or coercion of any kind to comply with the terms and conditions stated herein; and that SG Insurance & Technology Investment Fund, LLC consents to the entry of this Consent Order.

SG Insurance & Technology Investment Fund, LLC

By: \_\_\_\_\_/s/\_\_\_\_\_  
David Alexander Schupp  
Managing Member

Date: 7/28/20

**CONSENT TO ENTRY OF ORDER**

I, David Alexander Schupp, state that I have read the foregoing Consent Order; that I know and fully understand its contents; that I agree freely and without threat or coercion of any kind to comply with the terms and conditions stated herein; and that I consent to the entry of this Consent Order.

\_\_\_\_\_/s/\_\_\_\_\_  
David Alexander Schupp

Date: 7/28/20