

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20070105627**

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

RE: Dhulsini Hemani De Zoysa ("De Zoysa"), Respondent
CRD No. 3127323

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Dhulsini Hemani De Zoysa, submit 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 me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

De Zoysa was born in [REDACTED]. She joined the industry in 1998 as a research associate and subsequently became a publishing research analyst. In May 2004, De Zoysa joined Cowen & Company LLC ("Cowen" or the "Firm") as a senior research analyst covering medical devices. The Firm filed a Uniform Termination Notice for Securities Industry Registration ("Form U-5") on September 25, 2007, which reported the termination of De Zoysa "in connection with an internal review relating to the reliability of certain previously published research reports."

De Zoysa's employment was terminated as of August 27, 2007. She is not currently employed in the securities industry.

RELEVANT PRIOR DISCIPLINARY HISTORY

De Zoysa has no prior disciplinary history.

OVERVIEW

As a research analyst covering the medical devices sector, DeZoysa primarily covered companies that produce cardiovascular, orthopedic and wound care devices. Research analysts in this sector frequently surveyed doctors, hospitals and laboratories seeking their views, impressions, and usage of the medical products produced and sold by the companies under their coverage. The information gleaned from those surveys and the analysts' conclusions based on that information were typically included in published research reports.

In between July 2006 and May 2007 De Zoysa published four research reports in which she made false or misleading statements. Specifically, she included in those reports results of surveys that were not actually conducted and stated that some of her conclusions in those reports were based on those non-existent survey results. Additionally, in the fall of 2005 DeZoysa was involved in a romantic relationship with an executive of a company that was under her research coverage. Between September 2005 and May 2007, DeZoysa published 19 research reports about that company in which she failed to disclose the relationship. Enforcement further found that De Zoysa, in contravention of a Firm directive, deleted or altered documents on her laptop computer after commencement of the Firm's internal investigation.

In August 2007, the Firm terminated De Zoysa's employment and retracted all of the research reports that she had published while employed at the Firm

FACTS

Misrepresentations in Research Reports Regarding Surveys

2006 Wound Care Survey

Cowen & Co. had a dedicated survey group which conducted survey-based research on behalf of the Firm's research analysts. In 2004 and 2005 DeZoysa utilized the Firm's survey group to conduct surveys of labs and hospitals regarding cardiovascular equipment (such as stents and valves) and wound care (such as dressings and pressure devices). The surveys asked for feedback from practitioners concerning these products and their usage of them.

De Zoysa published a report on July 11, 2006, entitled "Medical Supplies & Devices: Quarterly Preview" (the "July 2006 Report"), which stated, "Our survey of 500 wound care centers finds that pricing is the No. 1 obstacle to increasing penetration." On May 14, 2007, De Zoysa published a research report relating to one of the wound care companies under her coverage in which she stated that the Firm had conducted a survey of over 8,000 wound care centers, of which 500 responded, in both 2005 and 2006 (the May 2007 Report"). In that report, DeZoysa stated certain conclusions that she claimed were based on the results of the 2006 survey. For example, DeZoysa wrote "Our survey work finds a market for new entrants. Of 500 wound care centers that responded to our NPWT [negative pressure wound therapy] survey in 2005 and 2006, nearly 4 out of 5 indicated that they would use a lower-

priced alternative." Additionally, DeZoysa wrote "Our survey has evolved over time . . . The goal of our 2006 Survey was to explore the opportunity for competing devices."

These representations in the July 2006 and May 2007 Reports were inaccurate. While the Firm did conduct a survey of 8,000 wound care centers in 2005, it did not do so in 2006. As such, DeZoysa's representations in the May 2007 Report that the Firm conducted such a survey and that the results indicated a preference for a "lower-priced alternative" were false. Further, DeZoysa could not have determined that pricing was the "no. 1 obstacle to increasing penetration" based on the Firm's survey results, as she wrote in the July 2006 Report, because questions concerning pricing were not included in the 2005 survey, and the 2006 survey was never conducted by the Firm.

At the time that she published these reports, De Zoysa knew or was reckless in not knowing that the 2006 survey described in these reports had not been conducted and that questions concerning pricing had not been asked of wound care centers in any survey conducted by the Firm.

First Quarter 2007 Survey of Electrophysiology Labs

EP labs generally provide cardiac diagnostic services and treatments. In connection with those services, EP labs purchase and utilize a host of cardiac medical devices such as defibrillators, pacemakers and catheters.

In two published reports, dated March 30, 2007 and April 19, 2007, De Zoysa represented that the Firm conducted a first quarter 2007 survey of 155 electrophysiology ("EP") labs regarding their usage of certain cardiovascular medical devices. These statements were inaccurate. The Firm did not survey 155 EP labs during the first quarter of 2007.

At the time she published these statements, De Zoysa knew or was reckless in not knowing that the EP lab surveys referenced in those reports were not conducted during the first quarter of 2007.

Failure to Disclose Romantic Relationship

For the four-month period from September 2005 to December 2005, De Zoysa had a romantic relationship with the Chairman and Chief Executive Officer of a company within her coverage area (the "CEO"). This relationship created an actual, material conflict of interest for DeZoysa. De Zoysa did not, either at the time of her romantic relationship with the CEO or thereafter, disclose this relationship to any of her supervisors at the Firm.

During the romantic relationship, De Zoysa published four research reports containing her recommendations and ratings of the company. After the relationship ended, during the period from February 2006 through July 2007, De Zoysa published an additional 15 reports regarding the company. De Zoysa did not disclose in any of these reports the material conflict of interest caused by her romantic relationship with the CEO.

Deletion/Creation of Documents after Commencement of Internal Investigation

On August 2, 2007, the Firm's General Counsel advised De Zoysa that the Firm was investigating certain issues that had been raised regarding the accuracy and content of her research, and instructed De Zoysa to retain and not alter or destroy any documents or information regarding her research, including documents or information on computer disc, her laptop or in any electronic format. Later that same day, De Zoysa created a 2006 wound care survey questionnaire on her Cowen-issued laptop. Additionally, after her August 2, 2007 conversation with the General Counsel, De Zoysa deleted six documents from her Cowen-issued laptop. Specifically, De Zoysa deleted one draft research report of her own and five research reports on companies in her coverage area that had been published by research analysts at other firms.

By creating the questionnaire and deleting the reports, De Zoysa contravened the General Counsel's directive not to alter or destroy any documents on her laptop computer.

VIOLATIVE CONDUCT

1. As a result of the conduct described above, De Zoysa violated:
 - a. NASD Conduct Rules 2210(d)(1)(B) and 2110, by making false, exaggerated, unwarranted or misleading statements in four research reports, and publishing those reports, which she knew or had reason to know were false or misleading.
 - b. NASD Conduct Rules 2711(h)(1)(C) and 2110, by failing to disclose in 19 published research reports her romantic relationship with an executive of a company in her coverage area, which was an actual, material conflict of interest.
 - c. NASD Conduct Rule 2110, by altering and deleting documents on her laptop computer in contravention of instructions by her firm employer.

OTHER FACTORS

B. I also consent to the imposition of the following sanctions:

1. A permanent bar from association with any FINRA member in any capacity requiring Series 86 and/or Series 87 registration;
2. A suspension from association with any FINRA member in all capacities for a period of 12 months; and

3. A fine in the amount of Ten Thousand (\$10,000) Dollars.

The fine shall be due and payable either immediately upon reassociation with a member firm following the 12-month suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), the permanent bar from association with any FINRA member in any capacity requiring Series 86 and/or Series 87 registration and the 12-month suspension from association with any FINRA member in all capacities shall become effective upon approval or acceptance of this AWC.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension.

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against me;
- B. To be notified of the Formal 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, I specifically and voluntarily waive any right to claim bias or prejudgment of the General Counsel, 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 acceptance or rejection of this AWC.

I further specifically and voluntarily waive 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

I understand 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 me; and
- C. If accepted:
 - 1. This AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 2. This AWC will be made available through FINRA's public disclosure program in response to public inquiries about my disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. I 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. I 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

my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I 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 or its staff.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

December 17 2008

Respondent

By:


Dhulsini Hemani De Zoysa

Reviewed by:

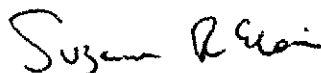

James Hubbard
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Accepted by FINRA:

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

December 29 2008

January



Suzanne Elovic
Chief Counsel
FINRA Department of Enforcement
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