

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012030485001**

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

RE: Falcon Research, Inc. Respondent
CRD No. 13115

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Falcon Research, Inc. ("Falcon Research" or the "Firm") 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 the Firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. We 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

Falcon Research has been a FINRA member since February 1984. The firm has four registered persons and is headquartered in Clearwater, Florida. The firm is approved to conduct business in equities, corporate debt securities and mutual funds.

RELEVANT DISCIPLINARY HISTORY

Falcon Research does not have any relevant prior disciplinary history.

OVERVIEW

During the relevant time period, Falcon Research allowed a principal to prepare, author and approve a research report when he had not taken and passed the appropriate qualification examination. In addition, the research report that was

issued failed to comply with disclosure and certification requirements of both NASD Rule 2711 and SEC Rule 501(a) of Regulation AC (hereinafter "Regulation AC"). As a result of the foregoing, Falcon Research violated NASD Membership and Registration Rule 1050, NASD Rule 2711 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Membership and Registration

Pursuant to NASD Membership and Registration Rule 1050, a person who is primarily responsible for the preparation of the substance of a research report or whose name appears on a research report must be registered as a General Securities Representative and must pass a qualification examination for research analysts. On April 29, 2011, Falcon Research permitted a person registered solely as a General Securities Principal to prepare, author and approve a research report that was issued by the Firm. As a result of the foregoing, Falcon Research violated NASD Membership and Registration Rule 1050 and FINRA Rule 2010.

Disclosure Requirements for Research Reports

The research report that was issued on April 29, 2011, failed to comply with NASD Rule 2711. Specifically, the report contained a rating but failed to define the meaning of each rating used in its rating system. The report failed to disclose the percentage of all securities rated by the Firm to which the Firm would assign a "buy", "hold/neutral" or "sell" rating or to disclose the percentage of subject companies within each of these three categories for whom the Firm had provided investment banking services within the previous 12 months. The report refers to important disclosures that are located at the end of the document, however, the disclosure is not prominent, as required by NASD Rule 2711(h)(10).

The report also failed to contain research analyst certifications required by Regulation AC. Specifically, the report states that the research resources used to prepare the report are believed to be accurate; the report, however, does not certify that all of the views expressed in the report accurately reflect the research analyst's views about the subject company. The report certifies that that research analyst did not receive direct compensation in exchange for providing the recommendations contained in the report and that the analyst did not receive direct compensation from any of the companies mentioned in the report; the report, however, fails to certify that no indirect compensation had been received by the analyst.

As a result of the foregoing, Falcon Research acted in contravention of SEC

Regulation AC and violated NASD Rule 2711 and FINRA Rule 2010.

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

A censure and a \$10,000 fine.

We agree to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. We have submitted an Election of Payment form showing the method by which we propose to pay the fine imposed.

We specifically and voluntarily waive any right to claim that we are 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.

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against us;
- 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, we 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.

We 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

We 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 us; and**
- C. If accepted:**
 - 1. this AWC will become part of our permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against us;**
 - 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. We 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. We 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. We may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. We understand that we 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.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that we 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 the Firm to submit it.

Falcon Research, Inc.

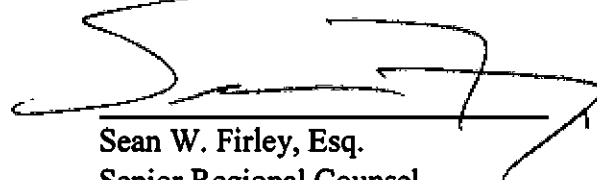
By: 
Kurt Feshbach, President and CEO

28 Sept 2012
Date

Accepted by FINRA:

10/9/12
Date

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



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