

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013035928001**

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

RE: Gilford Securities, Inc., Respondent
CRD No. 8076

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Gilford Securities, Inc. ("Respondent" or "Gilford Securities" 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, 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

Gilford Securities has been a FINRA member since January 3, 1980. The Firm has eight branch offices and approximately 80 registered representatives. Its principal place of business is New York, New York, and provides a variety of financial services to its clients, including sales and trading, investment banking, research, and wealth management.

On April 3, 2014, pursuant to Letter of Acceptance, Waiver and Consent No. 2012030416501, FINRA made findings (which Gilford Securities neither admitted or denied) that, among other things, from April 2010 through March 2012, the Firm failed to make required disclosures in research reports, evidence approval of research reports, and implement written supervisory procedures reasonably designed to ensure compliance with NASD Rule 2711, and as a result, violated NASD Rules 2210 and 2711 and FINRA Rule 2010. Gilford Securities consented to a censure and \$125,000 fine covering all of the charges in the AWC.

OVERVIEW

Between August 1, 2012 and January 10, 2013, Gilford Securities issued eight research reports on a pharmaceutical company containing unwarranted and misleading statements regarding the participation of a prominent medical research university in a human study of one of the company's dietary supplements. Each research report inaccurately referred to the university as having conducted the study. The nature of this inaccurate representation was that a doctor, who worked for the university, participated as an independent consultant to the pharmaceutical company and did not collaborate with the university on the human study. By issuing research reports that contained false and misleading information, Gilford Securities violated NASD Rule 2210(d)(1)(B) and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Gilford Securities issued eight research reports on the pharmaceutical company between August 1, 2012 and January 10, 2013. These reports were widely distributed through commercial distribution outlets.

The pharmaceutical company is a publicly traded company, which engages through its subsidiary in research and development of supplements to treat inflammatory and neurological disorders. The pharmaceutical company sells an over-the-counter nutritional supplement.

In 2012 and early 2013, the pharmaceutical company announced the results of separate animal and human studies regarding one of its supplements. The animal study was conducted and completed by an independently funded research team at a prominent medical research university, led by a doctor employed by the university. The human study was conducted by the pharmaceutical company's subsidiary, with the participation of the same doctor as a senior consultant. The university did not conduct or participate in the human study, although the doctor was employed by the university at the time of the study.

The eight research reports issued by Gilford Securities on the pharmaceutical company contained inaccurate statements which mistakenly suggest that the university conducted the human study. Four of those reports also contained inaccurate statements suggesting that the doctor was acting on behalf of the university in assisting with the human study. For example, a research report issued on January 10, 2013 stated that the research:

has been done by the [university], certainly one of the most preeminent medical institutions in the world, under the lead of [the doctor,] one of the most preeminent leaders in the world in his profession.

The same report also stated:

[W]e expect the release of the [university's] Third Party CRO results testing humans This will be the most important event in [the

company's] history.

Research reports are communications with the public subject to the content standards set forth in NASD Rule 2210(d)(1). NASD Rule 2210(d)(1)(B) prohibits FINRA members from making "any false, exaggerated, unwarranted or misleading statement or claim in any communication with the public." NASD Rule 2210(d)(1)(B) further states that "[n]o member may publish, circulate or distribute any public communication that the member knows or has reason to know contains any untrue statement of a material fact or is otherwise false or misleading."

As a result of the foregoing conduct, Respondent violated NASD Rule 2210(d)(1)(B) and FINRA Rule 2010.

B. The Firm consents to the imposition of the following sanctions:

- A censure; and
- A fine in the amount of \$25,000.

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 that Respondent is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

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 Respondent;
- 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 prejudice 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 acceptance or rejection of this AWC.

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 actions brought by FINRA or any other regulator against Respondent;
 - 2. this AWC will be made available through FINRA’s public disclosure program in response to public inquiries about Respondent’s 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. 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: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- 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 or its staff.

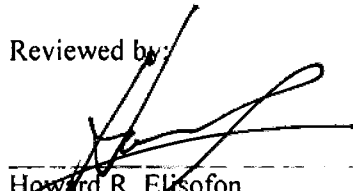
The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and have been given a full opportunity to ask questions about it; has agreed to its provisions voluntarily; and that no offer, threat, inducement, 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 Respondent to submit it.

Sep. 3, 2014
Date (mm/dd/yyyy)


Gilford Securities, Inc.

By: Daniel Callaway, CEO & General Counsel

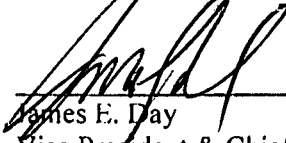
Reviewed by:


Howard R. Elisofon
Counsel for Respondent
Herrick, Feinstein LLP
2 Park Avenue
New York, NY 10016
212-592-1400

Accepted by FINRA:

10/1/14
Date

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



James E. Day
Vice President & Chief Counsel
FINRA Department of Enforcement
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