

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

OTIS TREAT BRADLEY
(CRD No. 28320),

Respondent.

Disciplinary Proceeding
No. 2013035928002

Hearing Officer–AHP

DEFAULT DECISION

September 16, 2015

Respondent failed to appear to complete his on-the-record testimony. For this violation, he is barred in all capacities. Respondent also violated the content standards applicable to member communications with the public. In light of the bar, no further sanctions are imposed for this violation.

Appearances

William L. Thompson III, Esq., Philip Berkowitz, Esq., and Jennifer Schulp, Esq.,
for the Department of Enforcement.

No appearance by or for Respondent Otis Treat Bradley.

DECISION

Otis T. Bradley wrote eight false and misleading research reports while he was associated with Gilford Securities, Inc., a FINRA member broker-dealer. Gilford distributed the misleading reports to its clients and personnel, as well as various financial media outlets, investment research firms, and other market participants. When FINRA's Office of Fraud Detection and Market Intelligence learned of the misleading reports, it referred the investigation to FINRA's Department of Enforcement.

To further the investigation, Enforcement requested information from Bradley. At first, Bradley cooperated. He responded to a written request for information and he testified at an on-the-record interview. But he stopped cooperating before Enforcement completed the interview, and he thereafter refused to reschedule the interview. Bradley's refusal to cooperate fully prompted this disciplinary proceeding.

Enforcement initiated this disciplinary proceeding by filing the attached Complaint with the Office of Hearing Officers. The Complaint contains two causes of action. The first charges Bradley with violating FINRA's communications standards by including false, misleading, and unwarranted statements in eight research reports. The second charges Bradley with failing to cooperate with FINRA's investigation of those research reports.

Bradley did not answer or otherwise respond to the Complaint. Thus, Enforcement filed a motion for entry of a default decision, together with the Declaration of William L. Thompson III and 17 attached exhibits.¹

For the reasons set forth below, I find that Bradley defaulted by failing to answer the Complaint, and I grant Enforcement's motion.

I. Findings of Facts and Conclusions of Law

A. Bradley's Background

Bradley entered the securities in 1968.² Between 1968 and 2012, Bradley worked at a number of broker-dealers in multiple registered capacities. In February 2012, he joined Guilford where he was registered as a research analyst. Bradley left Guilford in September 2014, and his FINRA registrations terminated on October 2, 2014.³ Bradley did not associate with another FINRA member firm after he left Guilford, and he is not now registered with FINRA in any capacity.

B. Jurisdiction

FINRA has jurisdiction over Bradley because Enforcement filed the Complaint within two years after his FINRA registration terminated, and the Complaint charges him with (i) misconduct at Guilford that began before his FINRA registration terminated and (ii) failure to provide information under a Rule 8210 request that Enforcement issued within two years after his FINRA registration terminated.⁴

C. Bradley Defaulted by Failing to Respond to the Complaint

Enforcement filed the Complaint with the Office of Hearing Officers on April 27, 2015. On the same day, Enforcement sent Bradley a notice of this proceeding in accordance with FINRA Rules 9131 and 9134. Enforcement mailed the notice to Bradley's current residential address recorded in the Central Registration Depository ("CRD") and to another address Bradley had provided to Enforcement during the investigation that led to this proceeding. Enforcement

¹ The exhibits are labeled CX-1 through CX-17.

² CX-1, at 1.

³ CX-2, at 3.

⁴ See FINRA By-Laws, Article V, Sections 4(a).

sent both mailings by certified mail, return receipt requested. The signed receipt shows that the Postal Service delivered the mailing sent to Bradley's CRD address on April 30, 2015.⁵ Bradley did not answer the Complaint by the required deadline.

Enforcement sent Bradley a second notice on May 28 in accordance with FINRA Rule 9215(f). The second notice set a new deadline of June 15 for Bradley to answer the Complaint and informed him that his failure to answer by that date would allow a Hearing Officer to treat the Complaint's allegations as admitted and enter a default decision against him under FINRA Rule 9269. Enforcement mailed the second notice to the same two addresses by certified mail, return receipt requested. Bradley did not file an answer by the June 15 deadline.

Enforcement filed a motion for entry of default decision on July 27, 2015. Enforcement sent the motion to Bradley's CRD address and the alternate address he had provided to Enforcement.

To date, Bradley has not responded to the Complaint, the FINRA notices, or the motion for entry of a default decision.

Bradley received valid constructive notice of this proceeding.⁶ Thus, I grant Enforcement's motion and find that Bradley defaulted by failing to answer the Complaint.⁷ Further, under FINRA Rule 9269(a)(2), I deem the allegations in the attached Complaint admitted.

D. Bradley Wrote False and Misleading Research Reports that Guilford Securities Published

Bradley was an equity research analyst with Guilford between February 2012 and September 2014. While at Guilford, Bradley wrote research reports that included false and misleading information about a publicly traded pharmaceutical company ("Company").

- He inaccurately reported that a prominent medical research university ("University") was conducting clinical trials on humans to study the effects of one of the Company's dietary supplements on thyroid disorders.
- He misstated the Company's financial prospects.
- He made false claims about the Company's preliminary in-house clinical studies.

⁵ Thompson Decl. ¶ 16; CX-6.

⁶ See, e.g., *Dep't of Enforcement v. Evansen*, No. 2010023724601, 2014 FINRA Discip. LEXIS 10, at *20-21 n.21 (NAC June 3, 2014), *aff'd*, Exchange Act Release No. 75531, 2015 SEC LEXIS 3080 (July 27, 2015).

⁷ Bradley may move to set aside the default under FINRA Rule 9269(c) upon a showing of good cause.

1. The Eight False and Misleading Research Reports

Bradley made false claims and statements in the following eight research reports Guilford published.

a. August 2012 Report

Bradley initiated his coverage of the Company in August 2012 by falsely reporting that the University was conducting a human study that could significantly improve the Company's business prospects. Bradley predicted that positive test results could cause sales to skyrocket from virtually nothing in 2012 to \$400 million in 2013. Bradley based his projection on the impact and importance of the University's involvement in the study. But, in fact, the University was not conducting the study. The University did not conduct, review, or approve the study.⁸ Bradley continued to make similar misstatements and false claims in his next six research reports on the Company.

b. September 2012 to January 2013 Reports

Bradley repeated the false claims and misstatements in six reports he wrote between September 18, 2012, and January 2, 2013. In each report, Bradley falsely stated that the University was conducting the Company's human study and gave reasons why the University's involvement was so important to the Company's financial prospects.⁹ Bradley called the yet to be released study "the most important event in [the Company's] history."¹⁰ In the research report dated January 2, 2013, Bradley stated that the medical research was being done under the lead of the University's Chief Endocrinologist who is one of the most preeminent in the world in his profession. Bradley offered his opinion that the doctor will likely "champion" the use of the Company's Supplement and that the University will continue to test this technology and its efficacy on at least two or three diseases, which factors will increase sales of the new supplement significantly.¹¹ Bradley lacked a basis for these statements.

c. January 10, 2013 Report

Bradley also made false, misleading, and unwarranted claims-regarding the Company's announcement of preliminary results of its clinical trials on humans. In his January 10, 2013 research report, Bradley claimed that the Company had just publicly announced successful results of the University's completed testing on humans. The claim was false. The

⁸ Complaint ("Compl.") ¶¶ 15-21.

⁹ *Id.* ¶¶ 22-30.

¹⁰ *Id.* ¶ 28.

¹¹ *Id.* ¶ 30.

Company's press release announcing its preliminary test results did not mention the University.¹²

Bradley further commented in the January 10, 2013 research report that the Company's announcement was the first completion of tests by a third party Clinical Research Organization.¹³ This statement also was false. A third party had not conducted the tests.

2. Bradley Violated FINRA's Public Communications Rule

NASD Rule 2210 generally governs FINRA member communications with the public and includes certain content standards that apply to all member communications, as well as specific standards that apply to sales literature.¹⁴ Research reports, such as Bradley's, fall within the Rule's definition of "sales literature."¹⁵ The Rule's general content standards prohibit FINRA members and their associated brokers from making false, exaggerated, unwarranted, or misleading statements or claims in any communications with the public.¹⁶

Here, Bradley included false and misleading statements in the research reports he prepared and which were distributed to the public. He falsely reported that the University was conducting the human study of the Company's new supplement. At the time he wrote the reports, he knew this information was false. In his on-the-record interview on September 15, 2014, Bradley admitted that he had lacked a factual basis for his statements that the University was conducting the study.¹⁷

In addition to the false and misleading statements, Bradley also made unwarranted predictions about the Company's financial prospects that he based on those false statements. Bradley recommended that investors purchase the Company's stock because he predicted its stock price would skyrocket when the University released its positive test results. Specifically, Bradley lacked any foundation for his prediction that the Company's annual revenue would increase from virtually nothing to \$400 million in about one year.

¹² *Id.* ¶ 33.

¹³ *Id.* ¶¶ 38-39.

¹⁴ *See* NASD Rule 2210(d). The conduct rules that apply in this case are those that existed at the time of the conduct at issue. On March 29, 2012, the SEC approved new FINRA rules governing communications with the public, which became effective February 4, 2013. *See generally* FINRA Regulatory Notice 12-29, 2012 FINRA LEXIS 36 (June 2012). New FINRA Rule 2210 does not alter, in any material manner, any of the content standards applied in this case.

¹⁵ *See* NASD Rule 2210(a)(2). Under NASD Rule 0115, all NASD conduct rules apply to persons associated with a member firm.

¹⁶ NASD Rule 2210(d)(1)(B).

¹⁷ *See* Thompson Decl. ¶ 38.

For these reasons, I conclude that Bradley violated NASD Rule 2210(d) and FINRA Rule 2010.¹⁸

E. Bradley's Failure to Appear for Testimony under FINRA Rule 8210

At first, Bradley cooperated with Enforcement's investigation of the research reports he wrote about the Company and its new dietary supplement. Bradley provided documents and information to Enforcement in January 2014.¹⁹ He also attended an on-the-record interview in September 2014 during which Enforcement questioned him for about two hours. But, Enforcement was not able to complete its examination. Once Enforcement began asking about the eight research reports on the Company, Bradley stated that he could not continue. Bradley had suffered an injury to his elbow two days before and he later claimed that he had not felt well enough to complete his testimony.²⁰

To complete its investigation, Enforcement sent Bradley a Rule 8210 request letter. The letter directed Bradley to appear for the continuation of his testimony on October 7, 2014.²¹ Bradley's attorney responded by letter and advised Enforcement that Bradley "will not appear on October 7, 2014 at 9:30 AM ... or at any other time."²² His attorney went on to state that Enforcement's request that Bradley plan to be available for a full day of testimony evidenced either incompetence or harassment. Bradley did not appear for the scheduled on-the-record interview.

FINRA Rule 8210(a) authorizes FINRA staff to require a person subject to FINRA's jurisdiction to provide information with respect to any matter involved in an investigation. Here, Enforcement sought Bradley's testimony about the eight false and misleading research reports he had written about the Company and its new dietary supplement. By failing to appear and testify on October 7, Bradley violated FINRA Rules 8210 and 2010.

II. Sanctions

The purpose of FINRA's disciplinary process is to protect investors, support and improve the overall business standards in the securities industry, and decrease the likelihood of further

¹⁸ FINRA Rule 2010 requires that FINRA members, in the conduct of their business, observe high standards of commercial honor and just and equitable principles of trade. *Dep't of Enforcement v. Harari*, No. 2011025899601, 2015 FINRA Discip. LEXIS 2, at *16 (NAC Mar. 9, 2015) ("An associated person violates FINRA Rule 2010 when he or she violates any other FINRA rule....").

¹⁹ CX-12 and CX-13.

²⁰ See Thompson Decl. ¶¶ 45-46. See also CX-17.

²¹ CX-16.

²² CX-17.

violations of FINRA's rules and the securities laws. Sanctions therefore should be tailored to deter misconduct and uphold high standards of business conduct.²³

Here, Enforcement recommends a \$20,000 fine and an eight-month suspension in all capacities for both violations (a \$10,000 fine and a two-month suspension for making false, misleading, and unwarranted statements in the research reports, and a \$10,000 fine and a six-month suspension for failing to appear and provide testimony). I conclude that these proposed sanctions are insufficient under the facts and circumstances of this case.

A. False and Misleading Research Reports

The FINRA Sanction Guidelines for inadvertent misleading communications with the public, and communications that otherwise violate the content standards of NASD Rule 2210, recommend imposing a fine of \$1,000 to \$29,000, consider suspending the firm in any or all activities or functions for up to six months, or in egregious cases up to one year, and consider suspending the responsible individual in any or all capacities for up to 60 days.²⁴ In cases involving intentional or reckless conduct, the Guidelines recommend a fine of \$10,000 to \$146,000 and consider suspending the firm and responsible person for up to two years.²⁵ Where numerous acts of intentional or reckless misconduct occur over an extended period of time, the Guidelines recommended suspending the firm and responsible individual for up to two years or expelling the firm and barring the responsible individual.²⁶ The sole principal consideration is whether the violative communications were circulated widely.

Here, Enforcement characterizes Bradley's violations of FINRA's communications rule as inadvertent. Enforcement notes that it has no evidence showing that Bradley intentionally included false information about the University's involvement with the Company's human study. Enforcement further notes that Bradley consistently claimed that he made an error in judgment when he concluded that the University was conducting the human study. Thus, Enforcement recommends a \$10,000 fine and a two-month suspension in all capacities to remediate this misconduct.

I disagree with Enforcement's characterization and conclude that Bradley acted recklessly. A number of factors lead to this conclusion. First, Bradley admitted during his on-the-record interview in September 2014 that he had not seen any documents stating that the University was conducting the human study.²⁷ Second, the Company's February 2012 press

²³ See FINRA Sanction Guidelines at 2 (2015), <http://www.finra.org/industry/sanction-guidelines>. See also *McCarthy v. SEC*, 406 F.3d 179, 188-90 (2d Cir. 2005).

²⁴ Guidelines at 79-80.

²⁵ *Id.* at 80.

²⁶ *Id.*

²⁷ See Thompson Decl. ¶ 38.

release announcing that it had obtained approval to conduct the human study did not reference any involvement by the University.²⁸ Third, the Company filed a Form 10-K with the SEC in March 2012 that stated that the Company's subsidiary would be conducting the human study. The only reference to the University in the Form 10-K was that it had conducted an earlier study on animals.²⁹ And finally, Bradley made unreasonably speculative predictions regarding the success of the testing and the effects those test results would have on the Company's stock price. His predictions lacked any foundation and were irresponsible. In sum, Bradley lacked any basis whatsoever for his statements and predictions, yet he included them in eight research reports that he knew would be circulated to the public.

Bradley's demonstrated indifference towards his responsibilities mandate significant sanctions. In light of the foregoing aggravating factors and the lack of mitigating factors, I conclude that the appropriate sanctions are a \$25,000 fine and a one-year suspension.

B. Failure to Appear for Testimony

The FINRA Sanction Guidelines provide that a bar should be the standard sanction when an associated person does not respond in any manner to a FINRA Rule 8210 request for information.³⁰ The Guidelines also provide that a bar should be the standard sanction where an associated person provides an incomplete response; an incomplete response presents the functional equivalent of a failure to respond in any manner because in such a case the individual has selectively kept certain information from FINRA.³¹ Where mitigation exists, the Guidelines suggest a fine of \$10,000 to \$73,000 and a suspension in any or all capacities for up to two years.³²

Here, after initially responding to a written request for information and testifying for approximately two hours at an on-the-record interview, Bradley refused to cooperate further. Bradley left the on-the-record interview because he was not feeling well due to injuries he had sustained in an accident three days earlier. When Enforcement attempted to schedule a date to complete the interview, Bradley stated he would not participate. Bradley's attorney wrote in a letter dated October 3, 2014, that Bradley was not willing to schedule a full day of additional testimony and that Enforcement's request that he do so was indicative of incompetence or intentional harassment.³³ Notably, Bradley did not state that he was unable to appear and testify.

²⁸ Compl. ¶ 13.

²⁹ *Id.* ¶ 14.

³⁰ Guidelines at 33.

³¹ *Id.* See also *Dep't of Enforcement v. Mielke*, No. 2009019837302, 2014 FINRA Discip. LEXIS 24, at *75-76 (July 18, 2014), *appeal docketed*, SEC Admin Proc. No.3-16022 (Aug. 19, 2014).

³² Guidelines at 33.

³³ CX-17.

The Guidelines advise adjudicators to consider several factors to determine the appropriate sanctions for a partial but incomplete response: (1) the importance of the information requested that was not provided as viewed from FINRA's perspective; (2) whether the provided information was relevant and responsive to the request; (3) the number of requests made; (4) the time the respondent took to respond; (5) the degree of regulatory pressure required to obtain a response; and (6) whether the respondent thoroughly explained valid reasons for the deficiencies in the response.³⁴

The most important factor for this case is whether Bradley substantially complied with all aspects of FINRA's request and whether there is any evidence of mitigation. Based on the Complaint and Enforcement's submission, I conclude that by refusing to complete his on-the-record interview, Bradley did not substantially comply with Enforcement's information request. Bradley ceased his cooperation at the point that Enforcement began to question him about the eight false research reports. Bradley answered some questions about the first report before he stopped cooperating. But Enforcement was not able to obtain his testimony regarding the remaining reports, including information about his basis for making the statements about the University's involvement in the Company's human study. This information was at the core of Enforcement's investigation.

A second significant aggravating factor is the reason Bradley gave for his refusal to reschedule the interview. Bradley condemned the manner in which Enforcement counsel conducted the inquiry because he disagreed with Enforcement's proposed settlement terms, which Bradley considered unwarranted.³⁵ This is not a valid justification for his refusal to cooperate.

Another aggravating factor is the importance of the information from Enforcement's perspective. Enforcement was investigating serious misconduct. The false, misleading, and unwarranted research reports could have caused significant harm to investors. The reports were widely distributed and contained manifestly misleading information regarding the value of the Company's stock and its financial prospects. There are no mitigating factors offsetting Bradley's reckless misconduct.

For the foregoing reasons, I conclude that Bradley should be barred from associating with any FINRA member in any capacity for violating FINRA Rules 8210 and 2010.

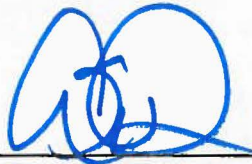
III. Order

Otis Treat Bradley is barred from associating with any FINRA member in any capacity for violating FINRA Rules 8210 and 2010. The bar shall take effect immediately if this decision becomes FINRA's final action. In light of the bar, I do not impose additional sanctions for his

³⁴ Guidelines at 33.

³⁵ CX-17, at 2.

violation of FINRA's content standards that apply to communications with the public under NASD Rule 2210(d).



Andrew H. Perkins
Hearing Officer

Copies to:

Otis Treat Bradley (via first-class mail)
William L. Thompson III, Esq. (via email and first-class mail)
Philip Berkowitz, Esq. (via email)
Jennifer Schulp, Esq. (via email)
Jeffrey D. Pariser, Esq. (via email)

FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS

Department of Enforcement,

Complainant,

v.

Otis Treat Bradley (CRD No. 28320),

Respondent.

DISCIPLINARY PROCEEDING
No. 2013035928002

HEARING OFFICER:

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Between August 1, 2012 and January 10, 2013 (the "relevant period"), Respondent Otis T. Bradley ("Bradley"), an equity research analyst with Gilford Securities, Inc. ("Gilford Securities" or the "Firm"), authored eight research reports containing false, misleading and unwarranted statements concerning a publicly traded pharmaceutical company (the "Pharmaceutical Company"). In the research reports, Bradley falsely claimed that a prominent medical research university (the "University") was conducting clinical trials on humans to study the effects of one of the Pharmaceutical Company's dietary supplements on thyroid disorders. Additionally, Bradley made unwarranted and misleading statements concerning the Pharmaceutical Company's financial prospects, based on his inaccurate claim that the University was conducting clinical trials on humans, and made false, misleading and unwarranted claims regarding the Pharmaceutical Company's announcement of preliminary results of its clinical

trials on humans. By authoring published research reports containing false, misleading and unwarranted statements, Bradley violated NASD Rule 2210(d) and FINRA Rule 2010.

2. In addition, Bradley failed to appear for on-the-record testimony requested pursuant to FINRA Rule 8210. Bradley therefore violated FINRA Rules 8210 and 2010.

RESPONDENT AND JURISDICTION

3. Bradley entered the securities industry in 1968 as a General Securities Principal with a member firm. He was registered with several member firms in various capacities before becoming registered with Gilford Securities in February 2012 as a General Securities Representative, General Securities Principal, and Research Analyst.

4. On October 2, 2014, Gilford Securities filed a Form U5 disclosing that Bradley had voluntarily terminated his registration with the Firm.

5. Although Bradley is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (1) the Complaint was filed within two years after the effective date of termination of Bradley's registration with Gilford Securities; and (2) the Complaint charges Bradley with misconduct committed while he was registered with a FINRA member and with failing to appear for on-the-record testimony during the two-year period after the date upon which he ceased to be registered with a FINRA member.

FACTS

6. During the relevant period, Bradley was an equity research analyst with Gilford Securities. In that capacity, he authored research reports published by the Firm on the Pharmaceutical Company.

7. Bradley's research reports on the Pharmaceutical Company were distributed to Firm brokerage personnel as well as various financial media outlets, investment research firms, Firm clients and other market participants.

8. During the relevant period, the Pharmaceutical Company, through its wholly-owned subsidiary (the "Subsidiary"), manufactured, sold and marketed dietary supplements and other pharmaceutical products.

9. Among other things, the Pharmaceutical Company produced a dietary supplement containing a substance found in the tobacco plant (the "Supplement").

10. In 2012, the University conducted a study on mice of the effects of the Supplement on thyroiditis, or inflammation of the thyroid gland (the "Animal Study").

11. In 2012, the Subsidiary conducted the Human Study, an in-house clinical trial on humans to study the effects of the supplement on thyroiditis (the "Human Study"). A doctor employed by the university (the "Doctor") served in a private capacity as a consultant for the Subsidiary on the Human Study.

12. The University did not conduct, review or approve the Human Study.

13. On February 9, 2012, the Pharmaceutical Company issued a press release stating that the Subsidiary had received approval to conduct the Human Study. The February 9 press release did not reference any involvement by the University in the Human Study.

14. In its Form 10-K filed on March 15, 2012, the Pharmaceutical Company disclosed regarding the Human Trial that, "[i]n February 2012, [the Subsidiary] initiated an in-house multi-site clinical trial to study the impact of [the Supplement] on thyroid health." While the Form 10-K stated that the University had conducted research on the effects of the Supplement on

“thyroiditis in animal models of the human disease,” it did not reference any involvement by the University in the Human Study.

Bradley’s Unwarranted and Misleading Statements

Bradley’s Initiation of Coverage on August 1, 2012

15. On August 1, 2012, Bradley authored a research report, published by the Firm, in which he initiated research coverage on the Pharmaceutical Company (the “August 1 Report”).

16. In the August 1 Report, Bradley made numerous statements that the University was conducting the Human Study, which could significantly improve the Pharmaceutical Company’s business prospects.

17. Bradley described the Pharmaceutical Company’s “near-term potential” as follows:

We believe it possible that [sic] a release of [the University’s] report describing positive test results from humans for treatment of thyroid diseases using [the Supplement] could cause the sales of [the Supplement] . . . to skyrocket from virtually nothing today to an annual run-rate over \$400 million (with profit of \$200 million or \$1.00 per share) in 2013.

18. Bradley characterized the “test results of thyroid patients using [the Supplement] conducted by [the University]” as an “event[] of importance” and, along with an unrelated study, as potential “game changers for the Market’s valuation of” the Pharmaceutical Company.

19. In describing the “release from [the University] of its test findings of the effectiveness of [the Pharmaceutical Company’s] Technology,” Bradley described ten “[r]easons why this is so important,” including the following:

[The University] is recognized worldwide. . . .

If the [University] study results are positive, we anticipate that a great many doctors will follow the [University's and Doctor's] lead and recommend their thyroid patients use [the Supplement]

The \$400 million of revenue [sic] and \$1.00 a share of earnings [sic] is computed solely from that which we believe [the Pharmaceutical Company] might be able to achieve from the [University] impact on U.S. [Supplement] results. . . .

[I]f [the University] attests that [the Supplement] can be effective as a treatment or cure for his [sic] auto-immune disease, perhaps there are applications for other [sic] auto-immune diseases That is what this "Disruptive Science" could be all about.

20. In providing 2013 estimates for the Pharmaceutical Company, Bradley stated that "the release of [the University's] human test results using [the Supplement] for treatment of thyroid diseases will be particularly important" because "[t]he power and prestige of the [sic] [the University] – and [the Doctor] as well – are significant." Bradley concluded that, "[i]f the results of these tests [sic] are positive, that could potentially influence doctors worldwide."

21. Bradley's statements in the August 1 Report indicating that the University was involved in the Human Study and that, as a result, the Pharmaceutical Company could experience positive financial results were false, misleading, and unwarranted.

Bradley's Six Reports between September 18, 2012 and January 2, 2013

22. Between September 18, 2012 and January 2, 2013, Bradley authored six research reports published by the Firm on the Pharmaceutical Company in which he gave the Pharmaceutical Company a "Buy" rating, the highest rating given by Gilford Securities. In each of these reports, Bradley claimed that the University was conducting the Human Study.

23. In two reports, published on September 18 and September 24, 2012 respectively, Bradley mentioned "progress reports from [the University] re its Thyroid testing" among "events

occurring within the next week or two . . . which could be important to” the Pharmaceutical Company.

24. In another report, published on October 5, 2012, Bradley characterized the “[University’s] Thyroid tests” as “extremely important.”

25. In a report published on November 5, 2012 (the “November 5 Report”), Bradley reiterated that the “[r]elease of interim testing results of [the University’s] work on its application of [the Supplement] on Thyroid Disease” was “extremely important.” Bradley elaborated as follows:

This is the real deal. Not petri dishes. Not mice. Human beings. Lots of them. Fully enrolled, and to be complete in December. Only two months away, but sufficiently underway that we can now at least speculate success. And, potentially, a Blockbuster.

26. In the November 5 Report, Bradley reiterated his estimate that sales of the Supplement to treat thyroid conditions could produce “a potential \$400 million revenue and \$1.00 per fully taxed, fully diluted per share potential for [the Pharmaceutical Company] next year.”

27. In a report published on November 16, 2012, Bradley stated that the “most important event that should occur short-term is announcement of the successful completion of the Third Party CRO testing on [the University’s] Thyroid application of [the Supplement].” Bradley asserted that this announcement “is scheduled to occur in mid-December, and we believe it will lend considerable credibility to the [Pharmaceutical Company’s] story – ‘A Disruptive Science’ – that has been much needed heretofore.”

28. In a report published on January 2, 2013 (the “January 2 Report”), Bradley reiterated that “[w]ithin the next few days or couple weeks at most, we expect the release of the

[University's] Third Party CRO results testing humans for its Thyroid treatment using [the Supplement]." Bradley referred to the results of the Human Study as "the most important event in [the Pharmaceutical Company's] history."

29. Further, in the January 2 Report, Bradley specifically highlighted the University's involvement in the Human Study:

The Thyroid research has been done by [the University], certainly one of the most preeminent medical institutions in the world, under the lead of [the Doctor], [the University's] Chief Endocrinologist and one of the most preeminent in the world in his profession.

30. Bradley opined the results of the Human Study would be positive for the Pharmaceutical Company:

It is my belief that [the Doctor] will likely champion the use of [the Supplement] in Thyroid treatment and that [the University] will continue to test this technology and its efficacy on at least two or three diseases other than Thyroid. . . . All of which will increase sales of [the Supplement] significantly.

31. Bradley's statements in research reports published between September 18, 2012 and January 2, 2013 concerning the University's purported involvement in the Human Study, and claiming that the University would imminently announce positive results of the Human Study, were false, misleading and unwarranted.

Bradley's January 10, 2013 Report on the Results of the Human Study

32. On January 7, 2013, the Pharmaceutical Company issued a press release (the "January 7 Press Release") which announced "the preliminary results of [the Pharmaceutical Company's] . . . Human Thyroid Study that analyzes the impact of [the Supplement] on thyroid health."

33. The January 7 Press Release did not state that the University was involved in the Human Study or otherwise mention the University.

34. The January 7 Press Release stated that “[i]nitial results for all study subjects suggest that dietary supplementation with [the Supplement] ameliorates the immune system’s targeting of the thyroid gland in autoimmune thyroiditis.” It noted, however, that “[t]he full report of the [Human Study] is still being completed” and was therefore “unavailable at this time.”

35. Commenting on the “promising initial results,” the Subsidiary’s Medical Director was quoted in the January 7 Press Release as stating, “I look forward to following subjects over a longer period in order to establish how profound and clinically meaningful the effect is going to be.”

36. On January 10, 2013, Bradley authored a research report published by the Firm, entitled: “Human Trials Indicate [the Pharmaceutical Company]’s Science Works; Reiterate Buy Rating” (the “January 10 Report”).

37. In the January 10 Report, Bradley commented as follows on the January 7 Press Release:

Monday’s announcement was that for which we have been waiting. Analysts and money managers should take action, and interest from users, doctors, the media and pharmaceutical companies should escalate.

38. Bradley went on to list seven “Positives” of the Pharmaceutical Company, including the following:

Monday’s announcement was the first completion of tests by a Third Party CRO (Clinical Research Organization) judging [the Pharmaceutical Company’s] technology on human beings. . . .

The Thyroid research has been done by [the University], certainly one of the most preeminent medical institutions in the world, under the lead of [the Doctor], [the University's] Chief Endocrinologist and one of the most preeminent in the world in his profession.

It is my belief that [the Doctor] will likely champion the use of [the supplement] in Thyroid treatment and that [the University] will continue to test this technology and its efficacy on at least two or three diseases other than Thyroid.

All of which will increase sales of [the Supplement] significantly.

Of greatest significance, now that the Thyroid results are positive (very positive), this is the first time ever that an autoimmune disease has been put into remission.

[The Pharmaceutical Company's] Technology/Science works. That is the most important meaning of Monday's announcement. The scientific risk appears to have been eliminated. It is no longer in question – or at least shouldn't be, in my opinion.

39. The foregoing statements by Bradley concerning the University's purported involvement in the Human Study, and the "results" of the Human Study, were false, misleading and unwarranted.

40. On February 6, 2013, Bradley authored a research report published by Gilford Securities on the Pharmaceutical Company in which he acknowledged that "[the University] itself was not directly involved with the recent human clinical testing of the impact of [the Supplement] on thyroiditis."

Bradley's Failure to Appear for Testimony as Requested under FINRA Rule 8210

41. On August 21, 2014, in connection with FINRA's investigation of Bradley's research reports on the Pharmaceutical Company, FINRA staff sent a letter to Bradley requesting that he appear for on-the-record testimony under FINRA Rule 8210 on September 8, 2014.

42. On August 28, 2014, the staff agreed, based on Bradley's request, to reschedule Bradley's testimony to 1:00 p.m. on September 15, 2014 and sent a letter to Bradley rescheduling the testimony under Rule 8210 to that date and time.

43. Bradley appeared for testimony on September 15, 2014.

44. After just over two hours, Bradley ceased participating in the testimony. The staff had not finished questioning Bradley on the circumstances of his research reports on the Pharmaceutical Company and other related issues.

45. On September 16, 2014, the staff sent a letter requesting that Bradley appear for on-the-record testimony under Rule 8210 on October 7, 2014 (the "September 16 Letter"). The purpose of this request was to complete the testimony begun on September 15, 2014.

46. The September 16 Letter was sent to Bradley's counsel by certified first class mail and by electronic mail. The staff received confirmation of the delivery of the letter.

47. The staff received a letter dated October 3, 2014 from Bradley's counsel by mail on October 7, 2014 stating, among other things, that Bradley would "not appear for testimony on October 7, 2014 . . . or at any other time."

48. Bradley did not appear for testimony on October 7, 2014, or at any other time, as requested by the staff under Rule 8210.

FIRST CAUSE OF ACTION

(False, Misleading and Unwarranted Statements in Communications with the Public)

NASD Rule 2210(d) and FINRA Rule 2010

49. The Department realleges and incorporates by reference paragraphs 1 - 48 above.

50. NASD Rule 2210(d)(1)(B) provides as follows:

No member may make any false, exaggerated, unwarranted or misleading statement or claim in any communication with the public. No 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.

51. NASD Rule 2210(a)(2) defines “communications with the public” to consist of, among other things, “Sales Literature,” including “research reports.”

52. During the relevant period, Bradley authored eight research reports published by Gilford Securities which contained false, misleading and unwarranted statements concerning the Pharmaceutical Company. Bradley falsely claimed that the University was conducting the Human Study and made unwarranted and misleading statements concerning the Pharmaceutical Company’s financial prospects based on his inaccurate claim that the University was conducting the Human Study. He also made false, misleading and unwarranted claims regarding the Pharmaceutical Company’s announcement of preliminary results of the Human Study.

53. As a result of the foregoing, Bradley violated NASD Rule 2210(d) and FINRA Rule 2010.

SECOND CAUSE OF ACTION
(Failure to Appear for On-the-Record Testimony)
FINRA Rules 8210 and 2010

54. The Department realleges and incorporates by reference paragraphs 1 - 53 above.

55. FINRA Rule 8210 requires members and associated persons, if requested by FINRA staff, “to provide information orally, in writing or electronically . . . and to testify at a location specified by FINRA staff, under oath or affirmation . . . with respect to any matter involved in the investigation, complaint, examination or proceeding”

56. FINRA staff requested pursuant to FINRA Rule 8210 that Bradley appear for testimony on October 7, 2014 to complete the testimony begun on September 15, 2014 in connection with the investigation of Bradley’s research reports on the Pharmaceutical Company.

57. Bradley did not appear for the requested testimony on October 7, 2014, or at any other time, and informed the staff through counsel that he would not appear at any time for the requested testimony.

58. As a result of the foregoing, Bradley violated FINRA Rules 8210 and 2010.

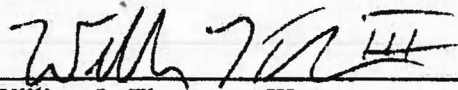
RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondent committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, be imposed; and
- C. order that Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: April 27, 2015



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