FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014041541402

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

RE: Craig M. Gould, Respondent
General Securities Principal
CRD No. 2367293

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Craig M. Gould 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

Gould entered the securities industry in June 1993. He was associated with five member firms before becoming associated with Cabot Lodge Securities, LLC ("Cabot Lodge" or the "Firm") on May 1, 2012 in a number of registration capacities, including as a General Securities Principal. Gould is currently associated with Cabot Lodge and, among other roles, serves as the Firm's President and Chief Executive Officer.

RELEVANT DISCIPLINARY HISTORY

On December 29, 2015, in AWC 2014041530301, Gould was suspended from associating with any FINRA member in any capacity for ten business days and fined $5,000 for failing to timely amend his Uniform Application for Securities Industry Registration or Transfer ("Form U4") to disclose an outstanding judgment against him in violation of Article V, Section 2(c) of FINRA's By-Laws and FINRA Rules 1122 and 2010.

OVERVIEW

From August 2012 through December 2014, Gould failed to establish and maintain a supervisory system reasonably designed to achieve compliance with applicable FINRA

rules and failed to reasonably enforce the Firm's written supervisory procedures, which required the review of organization and offering expenses and underwriters' compensation of the initial public offering of a Real Estate Investment Trust ("REIT") in which the Firm participated. In so doing, Gould violated NASD Rules 3010(a) and (b) and FINRA Rules 3110(a) and (b) and 2010.

FACTS AND VIOLATIVE CONDUCT

Gould served as Investment Banking Manager ("IBM") from May 2012 until another principal joined the Firm and took over that role in December 2014. As IBM, Gould was responsible under the Firm's written supervisory procedures for reviewing organization and offering ("O&O") expenses and underwriting compensation for any REIT public offering in which the Firm participated for compliance with the limits set forth in the applicable FINRA rules.

On August 15, 2012, a publicly held, non-traded REIT commenced its initial public offering ("IPO"). At that time, the REIT was an affiliate of Cabot Lodge. The REIT sought to raise $1.1 billion through the IPO and an additional $190 million through its distribution reinvestment program ("DRIP").

Cabot Lodge initially served as a soliciting dealer for the IPO, but took over as dealer manager on September 20, 2013. By that time, the O&O expenses and the underwriting compensation for the IPO exceeded the limits under the applicable rules. Under FINRA Rule 2310(b)(4)(B), the O&O expenses are presumed to be unfair and unreasonable if: (1) they exceed 15% of the gross proceeds of an offering in which a member or an affiliate of a member is a sponsor of the offering; or (2) the underwriting compensation exceeds 10% of the gross proceeds of the offering excluding securities purchased through a DRIP.

Gould knew that the O&O expenses and underwriting compensation exceeded permissible limits when Cabot Lodge proposed to FINRA to take over as dealer manager. On July 10, 2013, while Gould was the IBM, Cabot Lodge submitted to FINRA's Corporate Financing department a "Plan to Absorb the Underwriting Compensation Overage" (the "Overage Plan"), which stated that the Firm would bring underwriting compensation and issuer expenses in connection with the IPO into line "as quickly as possible," including by reducing non-cash compensation if necessary. The Overage Plan required, for example, that the Firm's compliance team meet with United Realty executives on a weekly basis to discuss expenses incurred in connection with the IPO and projected sales for the upcoming week. Gould and the Firm, however, never implemented the steps set forth in the Overage Plan.

At all relevant times, Cabot Lodge's written procedures required the Firm's Investment Banking Manager to review the O&O expenses and underwriting compensation for REIT offerings in which the Firm participated for compliance with the 15% and 10% limits set forth in FINRA Rule 2310(b)(4)(B), respectively. From the beginning of the IPO in August 2012 until he ceased being the IBM on December 17, 2014, Gould never reviewed or monitored the O&O expenses and underwriting compensation of the IPO.

The IPO closed on February 11, 2016, having raised only $49,728,392 in gross proceeds, including $1,483,297 through the DRIP. At the close of the IPO, the O&O expenses were $14,019,027, which exceeded the 15% limit by $6,559,768. Similarly, the underwriting compensation was $7,652,046, which exceeded the 10% limit by $2,827,536. Cabot Lodge never reimbursed the REIT for the excess amounts.

FINRA Rule 3110(a) requires each member to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable FINRA rules and securities laws and regulations. FINRA Rule 3110(b) requires each member to establish, maintain, and enforce written procedures to supervise the types of business in which it engages that are reasonably designed to achieve compliance with applicable FINRA rules and securities laws and regulations.

By virtue of the foregoing, Gould violated NASD Rules 3010(a) and (b) and FINRA Rule 3110(a) and (b).[1] In doing so, Gould also violated FINRA Rule 2010, which requires member firms and associated persons in the conduct of their business to observe high standards of commercial honor and just and equitable principles of trade.

B. Gould also consents to the imposition of the following sanctions:

- A 90 calendar-day suspension in a principal capacity from association with any member firm.
- A fine of $20,000.

Respondent understands that if he is barred or suspended from associating with any FINRA member in a principal capacity, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, Respondent may not be associated with any FINRA member in a principal capacity, during the period of the bar or suspension. See FINRA Rules 8310 and 8311. Furthermore, because Respondent is subject to a statutory disqualification during the suspension, if he remains associated with a Member Firm in a non-suspended capacity, an application to continue that association may be required.

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 he proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim an inability to pay at any time hereafter the monetary sanctions imposed in this matter.

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

[1] FINRA Rule 3110 superseded NASD Rule 3010 effective December 1, 2014.

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 him;

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 prejudgment 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 it;

2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;

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.

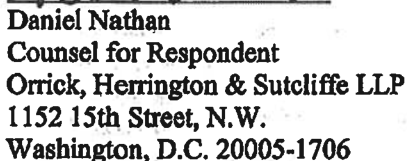
D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent has agreed to the AWC's provisions voluntarily; and 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 him to submit this AWC.

1/2/20
Date

Craig M. Gould
Respondent

Reviewed by:



Daniel Nathan
Counsel for Respondent
Orrick, Herrington & Sutcliffe LLP
1152 15th Street, N.W.
Washington, D.C. 20005-1706

Accepted by FINRA:

1/23/20
Date

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

Ralph DeSena
Director
FINRA Department of Enforcement
One Brookfield Place
200 Liberty Street - 11th Floor
New York, NY 10281