

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
20050001341-01

RECEIVED
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REGISTRATION & DISCLOSURE

TO: Department of Market Regulation
NASD

RE: Dougherty & Company LLC, Respondent,
Broker-Dealer
CRD No. 7477

Pursuant to Rule 9216 of the NASD Code of Procedure, Dougherty & Company LLC ("DOTC" 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 in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against DOTC alleging violations based on the same factual findings.

DOTC understands that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Market Regulation and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs, pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against DOTC; and
3. If accepted:
 - a. this AWC will become part of DOTC's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against DOTC;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about DOTC's disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and
 - d. DOTC 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 allegation in this AWC or create the impression that the AWC is without factual basis. Nothing in this

20050001341 (includes
20050001623/MRD200342810
and 20050033751) (GMB)

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provision affects DOTC's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

DOTC also understands that its experience in the securities industry and disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

DOTC has been a member of NASD since September 30, 1977 and its registration remains effective. DOTC has no disciplinary history relevant to this matter.

I.

WAIVER OF PROCEDURAL RIGHTS

DOTC specifically and voluntarily waives the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against DOTC;
- 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 NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, DOTC specifically and voluntarily waives 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.

DOTC further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of 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.

II.

ACCEPTANCE AND CONSENT

In connection with matter 20050001623/MRD200342810, the staff of the Department of Market Regulation of NASD (the "staff") conducted a review of municipal bond transactions executed by DOTC during the period April 1, 2003 through July 31, 2003 (the "initial review period"), for compliance with the rules of the Municipal Securities Rulemaking Board ("MSRB") relating to fair pricing. The staff also reviewed DOTC's written supervisory procedures and supervisory system with respect to municipal bond pricing.

In connection with matter 20050001341, the staff conducted a review of corporate bond transactions executed by DOTC during the period July 1, 2004 through September 30, 2004 (the "secondary review period"), for compliance with NASD's rules and regulations relating to fixed income fair pricing and NASD's Markup Policy. The staff also reviewed DOTC's written supervisory procedures and supervisory system with respect to corporate bond pricing.

In connection with matter 20050033751, the staff conducted a review of transactions reported by DOTC to the Trade Reporting And Compliance Engine ("TRACE") during the period July 1, 2005 through September 30, 2005 (the "tertiary review period"), for compliance with NASD's rules and regulations relating to corporate bond trade reporting. The staff also reviewed DOTC's written supervisory procedures and supervisory system with respect to TRACE-reporting.

- A. DOTC 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 NASD, or to which NASD 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 NASD:

20050001623/MRD200342810

1. In each of the six instances reflected on Exhibit A, DOTC, a municipal securities dealer, failed to purchase municipal securities for its own account from a customer or sell municipal securities for its own account to a customer at an aggregate price (including any markdown or markup) that was fair and reasonable, taking into consideration all relevant factors, including the best judgment of the firm as to the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction, the expense involved in effecting the transaction, the fact that the firm was entitled to a profit, and the total dollar amount of the transaction.

2. The conduct described in paragraph one constitutes separate and distinct violations of MSRB Rules G-17 and G-30.
3. DOTC's supervisory system during the initial review period did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Rules of MSRB, concerning municipal bond pricing. Specifically, the firm's supervisory system did not include written supervisory procedures providing for reviews for compliance with MSRB Rule G-30 that included: (a) a statement as to how often the person(s) identified as responsible for supervision with respect to the applicable rule should take the specific supervisory step(s) included in the written supervisory procedures; and (b) a statement as to how the completion of such step(s) should be documented.
4. The conduct described in paragraph three constitutes separate and distinct violations of MSRB Rules G-17 and G-27.

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5. In each of the eight instances reflected on Exhibit B, DOTC, a corporate bond dealer, bought/sold a security for its own account from/to another broker dealer and failed to sell/buy such security to/from a DOTC customer at a price that was fair, taking into consideration all relevant circumstances, including market conditions with respect to such security at the time of the transaction, the expense involved and that the firm was entitled to a profit. Some specific relevant circumstances were that:
 - a) none of the corporate bonds at issue was a security in which DOTC held a position in its proprietary account;
 - b) each of the transactions in question was engaged in by DOTC on a "riskless principal" basis;
 - c) none of the corporate bonds at issue was wholly illiquid, as each enjoyed either a significant or fair amount of trading on the days of the transactions at issue and/or within the two weeks prior to them;
 - d) the prices charged/paid to its customers by DOTC represented, in cases of sales to customers, the highest or near-highest price or, in cases of purchases from customers, the lowest or near-lowest price of the day or during the two weeks prior to the transactions at issue;
 - e) for each of the trades executed by DOTC, there were a number of comparable transactions that were executed by other broker-dealers on the same day as or during

the two weeks prior to the transactions at issue, in the apparent capacity of riskless principal, each one entailing a markup or markdown much lower than the markup or markdown charged by DOTC.

6. The conduct described in paragraph five constitutes separate and distinct violations of NASD Conduct Rules 2110 and 2440, and IM-2440.
7. DOTC's supervisory system during the secondary review period did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Rules of NASD, concerning corporate bond pricing. Specifically, the firm's supervisory system did not include written supervisory procedures providing for reviews for compliance with NASD Conduct Rule 2440, IM-2440 and NASD's Markup Policy that included: (a) a statement as to how often the person(s) identified as responsible for supervision with respect to the applicable rules should take the specific supervisory step(s) included in the written supervisory procedures; and (b) a statement as to how the completion of such step(s) should be documented.
8. The conduct described in paragraph seven constitutes a violation of NASD Conduct Rules 2110 and 3010.

20050033751

9. DOTC failed to report to TRACE the lower of yield to call or yield to maturity for 578 transactions in TRACE-eligible securities.
10. The conduct described in paragraph nine constitutes separate and distinct violations of NASD Marketplace Rule 6230(c)(13).
11. DOTC's supervisory system during the tertiary review period did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Rules of NASD, concerning TRACE-reporting. Specifically, the firm's supervisory system did not include written supervisory procedures providing for reviews for compliance with NASD Marketplace Rule 6230 that included: (a) a statement of the supervisory step(s) to be taken by the person(s) identified as responsible for supervision with respect to the applicable rule; (b) a statement as to how often such person(s) should take such step(s); and (c) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented.
12. The conduct described in paragraph 11 constitutes a violation of NASD Conduct Rules 2110 and 3010.

- B. DOTC also consents to the imposition, at a maximum, of the following sanctions:

A censure; a total fine of \$167,500 (consisting of \$140,000 for the unfair pricing violations in matter 20050001623/MRD200342810; \$10,000 for the excessive markups/ markdowns in matter 20050001341; \$7,500 for the TRACE-reporting violations in matter 20050033751; and \$10,000 for the omissions in the firm's written supervisory procedures relating to all three matters); and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraphs II.A.3, II.A.7 and II.A.11 above. Within 30 business days of acceptance of this AWC by the NAC, a registered principal of the Respondent firm shall submit to the **COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850**, a signed, dated letter, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in paragraphs II.A.3, II.A.7 and II.A.11 above; and (3) the date on which such revised written supervisory procedures were implemented.

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

III.

OTHER MATTERS

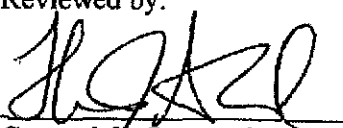
- A. DOTC understands that DOTC may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. DOTC understands that DOTC may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by NASD, nor does it reflect the views of NASD or its staff.
- B. DOTC agrees to pay any monetary sanctions imposed on DOTC upon notice that this AWC has been accepted and that such payments are due and payable and has attached an Election of Payment form showing the method by which DOTC proposes to pay any fine imposed.
- C. DOTC specifically and voluntarily waives any right to claim that DOTC is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

DOTC certifies that DOTC has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce DOTC to submit it.

5/2/07
Date

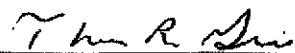
Respondent
Dougherty & Company LLC

By: 
Name: Gerald A. Kraut
Title: Chief Executive Officer

Reviewed by:

Counsel for Respondent

Accepted by NASD:

7/9/07
Date


Thomas R. Gira
Executive Vice President
Department of Market Regulation

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

Attachment:
Standard Election of Payment Form

Dougherty and Company, LLC
20050001623

Exhibit A

Item #	Date	Firm	Contra	Issue	Quantity	Buy / Sell	Trade Time	Trade Price	Average Price of Last Prior Trade Date	Average Price Difference	Markup %
1	6/24/03	DOTC	C	196474HG8	10,000	S	15:23:00	66.604	50.26	16.344	32.52
2	6/26/03	DOTC	C	196474FL9	65,000	S	13:21:00	76.924	54.68	22.16	40.53
3	6/26/03	DOTC	C	196474FL9	15,000	S	14:03:00	76.935	54.68	22.16	40.53
4	6/26/03	DOTC	C	196474FL9	25,000	S	14:03:00	76.922	54.68	22.16	40.53
5	6/26/03	DOTC	C	196474NU0	20,000	S	11:06:00	79.998	56.875	22.748	40.00
6	7/2/03	DOTC	C	196474FL9	60,000	S	11:22:00	76.95	50.875*	27.2	53.46

*The calculation of this price was determined by removing DOTC's trade prices that occurred on the previous trading date of 6/26/03

Dougherty and Company, LLC
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Exhibit B

Item	Date	Firm	Contra 1	Contra 2	Issue	Qty.	Trade 1 Time	Trade 1 Price	Trade 2 Time	Trade 2 Price	Time Diff.	Markup	Profit
1	8/11/2004	DOTC	C	PERS	131347AW6	20	12:20:00	63.5	12:20:00	60.75	0:00:00	4.527%	\$ 550.00
2	8/16/2004	DOTC	PERS	C	131347AW6	25	14:09:00	60.5	14:14:00	63.75	0:05:00	5.372%	\$ 812.50
3	8/17/2004	DOTC	PERS	C	131347AW6	20	11:24:00	61.5	11:49:00	64.25	0:25:00	4.472%	\$ 550.00
4	8/17/2004	DOTC	PERS	C	45337VAC4	60	14:29:00	46.5	14:48:00	44	0:19:00	5.682%	\$1,500.00
5	8/20/2004	DOTC	C	INGS	131347AF3	25	11:55:00	72.5	12:09:00	70	0:14:00	3.571%	\$ 625.00
6	8/27/2004	DOTC	PIPR	C	345370CA6	24	10:55:00	98.1877	10:56:00	101.75	0:01:00	3.628%	\$ 854.95
7	9/13/2004	DOTC	PERT	C	667281AM1	100	15:52:00	72	16:19:00	75	0:27:00	4.167%	\$3,000.00
8	9/28/2004	DOTC	INGS	C	131347AJ5	55	14:31:00	68.5	14:32:00	66	0:01:00	3.788%	\$1,375.00