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REGISTRATION & DISCLOSURE

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
20050006006-01

TO: Department of Market Regulation
NASD

RE: Dominick & Dominick, LLC, Respondent,
Broker-Dealer
CRD No. 7344

Pursuant to Rule 9216 of the NASD Code of Procedure, Dominick & Dominick, LLC ("DOMK" 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 DOMK alleging violations based on the same factual findings.

DOMK 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 DOMK; and
3. If accepted:
 - a. this AWC will become part of DOMK's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against DOMK;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about DOMK'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. DOMK 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

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

DOMK 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:

DOMK has been a member of NASD since February 16, 1977 and its registration remains effective. DOMK has no disciplinary history relevant to this matter.

I.

WAIVER OF PROCEDURAL RIGHTS

DOMK 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 DOMK;
- 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, DOMK 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.

DOMK 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 20050006006, the staff of NASD's Department of Market Regulation (the "staff") reviewed various corporate bond trades executed by DOMK during the period of October 1, 2004 through December 31, 2004 (the "review period"), for compliance with the rules and regulations relating to fixed income Fair Pricing and NASD's Mark-Up Policy.

A. DOMK hereby accepts and consents, without admitting or denying the allegations or 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:

1. In eight instances during the review period, which are reflected on Exhibit 1, DOMK bought/sold a security for its own account from/to another broker dealer and failed to sell/buy such security to/from a DOMK customer at a price that was fair and reasonable, 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) each markup charged by DOMK equaled or exceeded the firm's own internal markup policy and maximum applicable guideline, but none of the excessive markups was detected by the firm prior to the staff's initial inquiry letter, sent on February 11, 2005;
 - b) none of the three securities at issue was a security in which DOMK held a position in its proprietary account;
 - c) none of the three securities at issue was wholly illiquid, as demonstrated by trading on the days in question;
 - d) the original prices, including the markup, that DOMK charged to its customers in the eight instances at issue during the review period represented the highest price of the day reported for the respective security and was often more than one dollar – and sometimes over three dollars – higher than the next highest price;
 - e) for several of the simultaneous trades by DOMK, there were a number of comparable transactions that were executed by other broker-dealers on the same day in the apparent capacity of riskless principal, each one entailing a markup or markdown much lower than the

4.00% charged by DOMK, ranging in some cases as low as 0.00%, but in no case higher than 2.47%.¹

2. The conduct described in paragraph one constitutes separate and distinct violations of NASD Conduct Rules 2110 and 2440, and IM-2440.
3. During the review period, DOMK failed to adequately enforce its written supervisory procedures to ensure compliance with respect to the applicable securities laws and regulations, and the Rules of NASD, concerning fair pricing and markups.
4. The conduct described in paragraph three constitutes a violation of NASD Conduct Rules 2110 and 3010.

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

A censure and a fine of \$18,000 (\$13,000 for the excessive markup violations and \$5,000 for the supervision violation).²

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

III.

OTHER MATTERS

- A. DOMK understands that DOMK may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. DOMK understands that DOMK 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. DOMK agrees to pay any monetary sanctions imposed on DOMK 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 DOMK proposes to pay any fine imposed.
- C. DOMK specifically and voluntarily waives any right to claim that DOMK is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

¹ The staff has not fully investigated all the particular facts and circumstances relating to these comparable transactions and/or the markups or markdowns that were charged. Accordingly, the NASD has made no determination and expresses no opinion as to the reasonableness and fairness *vel non* of such markups or markdowns.

² Because the firm already provided price corrections and restitution to the affected customers in March 2005 (and has provided copies to the staff of the related confirmations sent to those same customers), no order of further restitution is being imposed.

DOMK certifies that DOMK 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 DOMK to submit it.

June 20, 2007
Date

Respondent
Dominick & Dominick, LLC

By: [Signature]
Name: Robert Rilly
Title: COO

Reviewed by:

[Signature]
Counsel for Respondent

Accepted by NASD:

7/10/07
Date

[Signature]
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

CORRECTIVE ACTION STATEMENT

Dominick & Dominick ("DOMK" or "Firm") undertook a number of remedial steps in response to the NASD Staff's notice that it viewed as excessive the markups on the eight fixed income trades at issue in this matter. Those remedial actions included:

Price Adjustments

Upon being advised by the NASD of the 4% markups on eight fixed income trades, DOMK promptly adjusted the markups to be consistent with its internal guidelines. The total dollar amount of the difference in markups on all the trades is approximately \$1,653, and DOMK issued restitution to the affected customers for that amount in March 2005.. Confirmation of the price adjustments were furnished to the NASD Staff during the course of its investigation.

Enhancements to Compliance Policies and Procedures

DOMK revised its Supervisory Manual and Supervisory Activity Checklist to specifically identify markups and markdowns as an area requiring daily review. In addition, DOMK added a second level review for markups / markdowns on fixed income securities to require that, in addition to the daily and monthly review of transactions by a supervisory person, markups / markdowns on fixed income trades are also reviewed by a Compliance officer on a daily basis to ensure compliance with the Firm's internal guidelines.

DOMK also revised its then-existing markup / markdown grid for fixed income securities to include additional guidance to registered representatives regarding the appropriateness of markups and markdowns. In addition, DOMK's Legal & Compliance Department issued specific written guidance (in the form of a "Compliance Note") to all registered representatives regarding the Firm's markup / markdown policy. The Compliance Note reinforced that markups / markdowns are receiving "heightened regulatory scrutiny" and that violations of the Firm's policy "may result in disciplinary action and price adjustments to clients' transactions."

Compliance Training

The Firm's markup / markdown policy and the regulatory scrutiny in this area was specifically discussed at the annual compliance meetings held in DOMK's offices in 2005 and 2006.

This Corrective Action Statement is submitted by DOMK. It does not constitute factual or legal findings by NASD, nor does it reflect the views of NASD or its staff.