

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT

NO. 20060062761-01

FINRA

SEP 28 PM 12:43

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

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

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Dougherty & Company LLC, (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 the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The firm 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

The firm has been a member of FINRA since September 30, 1977, and its registration remains in effect. The firm has no relevant disciplinary history.

SUMMARY

In connection with matter 20060062761, the staff of the Department of Market Regulation (the "staff") reviewed the firm's compliance with corporate bond fair pricing requirements during the period October 1, 2005 through December 31, 2005 (the "fourth quarter of 2005").

In connection with matter 20070108075, the staff reviewed the firm's compliance with market order timeliness and best execution requirements during the period April 1, 2007 through June 30, 2007 (the "second quarter of 2007").

20060062761 (including 20070108075,
20080123304, 20080123874 and 20080148775)
(LWA & GMB)

000068306 2010

In connection with matter 20080123304, the staff reviewed the firm's compliance with the Limit Order Protection Rule during the period January 1, 2007 through June 30, 2007 (the "first and second quarters of 2007").

In connection with matter 20080123874, the staff reviewed the firm's compliance with best execution requirements for corporate bond transactions during the period October 1, 2007 through December 31, 2007 (the "fourth quarter of 2007").

In connection with matter 20080148775, the staff reviewed the firm's compliance with the requirements of SEC Rule 605 of Regulation NMS during the period February 2008 and March 2008.

FACTS AND VIOLATIVE CONDUCT

Matter 20060062761

1. In 10 transactions during the fourth quarter of 2005, the firm sold (bought) corporate bonds to (from) customers and failed to sell (buy) such bonds at a price that was fair, taking into consideration all relevant circumstances, including market conditions with respect to each bond at the time of the transaction, the expense involved and that the firm was entitled to a profit. The transactions are identified on Exhibit A which is attached. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rules 2110, 2440 and IM-2440.

Matter 20070108075

2. In 41 instances during the second quarter of 2007, the firm failed to execute orders fully and promptly. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rules 2110 and 2111(a).
3. In 20 of the transactions for or with a customer identified in paragraph two, the firm failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions, as reflected on Exhibit B which is attached. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rules 2110 and 2320.

Matter 20080123304

4. In 47 instances during the first and second quarters of 2007, the firm failed to contemporaneously or partially execute nine customer limit orders in seven Nasdaq securities after it traded each subject security for its own market-making account at a price that would have satisfied each customer's limit order. The instances are reflected on Exhibit C which is attached. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 2110 and IM-2110-2.

Matter 20080123874

5. In six transactions executed for or with a customer during fourth quarter of 2007, the firm failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions, as reflected on Exhibit D which is attached. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rules 2110 and 2320.

Matter 20080148775

6. The firm failed to make publicly available, for the months of February and March 2008, a report on the covered orders in national market system securities that it received for execution from any person. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 605 of Regulation NMS.

B. The firm also consents to the imposition of the following sanctions:

A censure; fines totaling \$75,000 (comprised of \$12,500 for the firm's corporate bond fair pricing violations during the fourth quarter of 2005; \$12,500 for the firm's market order timeliness and best execution violations during the second quarter of 2007; \$7,500 for the firm's limit order protection violations during the first and second quarters of 2007; \$30,000 for the firm's corporate bond best execution violations during the fourth quarter of 2007; and \$12,500 for the firm's SEC Rule 605 violations in February and March 2008); **and restitution** to the investors adversely affected in connection with the transactions identified on Exhibits A, B, C and D, which are attached, **in the total amount of \$19,764.46**, plus interest at the rate set forth in Section 6621(a) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from the date of the violative conduct until the date this AWC is accepted by the National Adjudicatory Council.

A registered principal of the firm shall submit satisfactory proof of payment of the restitution, or of reasonable and documented efforts undertaken to effect restitution, to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850 or in an e-mail from a work-related account of the registered principal to **MarketRegulationComp@finra.org**, no later than 120 days after acceptance of this AWC. If for any reason, Respondent cannot locate any customer after reasonable and documented efforts within such period, or such additional period agreed to by the staff, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed-property or abandoned-property fund for the state in which the customer is known to have last resided.

The firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against the firm;
- 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, the firm 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.

The firm 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

The firm 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 the firm; and
- C. If accepted:
 - 1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm'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. The firm 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. The firm 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 the firm's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm 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 the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's 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 the firm to submit it.

9/27/10
Date

Dougherty & Company LLC

By: [Signature]

Name: Gerald A. Kraut

Title: President + CEO

Reviewed by:

[Signature]

Counsel for Respondent

Thomas J. Abood, Esq.

Executive Vice President & General Counsel

Dougherty Financial Group LLC

90 South Seventh Street, Suite 4300

Minneapolis, MN 55402-4108

Accepted by FINRA:

10/29/10
Date

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

[Signature]
Thomas R. Gira
Executive Vice President
Department of Market Regulation

Dougherty & Company LLC ("DOTC")
Matter No. 20060062761

AWC Exhibit A

Item No.	Date	Symbol	Quantity	Trade 1 Time	Trade 1 Price	Trade 2 Time	Trade 2 Price	Next highest comparable	DOTC Mark-up/ Mark-down	Profit	Restitution Due
1	10/5/2005	GMA.HMC	20	10:21:00	76.50	13:51:00	79.49	2.46%	3.91%	\$598.00	\$198.00
2	10/24/2005	GMA.IJO	70	12:13:00	80.125	12:15:00	77.625	1.99%	3.12%	\$1,750.00	\$634.00
3	11/7/2005	GMA.IFF	60	15:10:00	79.00	16:16:00	82.25	2.88%	3.95%	\$1,950.00	\$528.00
4	11/22/2005	GMA.IGO	20	15:17:00	67.50	16:20:00	70.00	1.99%	3.57%	\$500.00	\$100.00
5	11/30/2005	GMA.HOT	25	10:15:00	86.875	11:10:00	89.75	2.29%	3.20%	\$719.00	\$221.00
6	12/2/2005	GMA.IBP	22	10:22:00	72.00	10:56:00	74.50	2.42%	3.47%	\$550.00	\$150.00
7	12/5/2005	GMA.HVP	60	11:18:00	85.50	11:53:00	88.50	2.40%	3.51%	\$1,800.00	\$569.00
8	12/22/2005	GMA.ILT	30	14:33:00	70.734	15:26:00	73.50	2.83%	3.91%	\$830.00	\$229.00
9	10/11/2005	GMA.IQJ	100	9:56:00	79.668	14:17:00	82.25	1.16%	3.24%	\$2,582.00	\$1,658.00
10	10/21/2005	GMA.HKG	50	11:44:00	83.00	13:19:00	86.50	2.61%	4.22%	\$1,750.00	\$667.00
									Total Restitution =		\$4,954.00

Dougherty & Company LLC ("DOTC")
Matter No. 20080108075
(included within 20060062761)

AWC Exhibit B

Item No.	Order Receipt Date	Order Receipt Time	Order to Buy/Sell	Quantity	Execution Price	Issue	Order Execution Time	Total Order Duration	Restitution Due
1	4/4/2007	12:45:14	B	1000	\$6.39	NOVA	12:59:06	0:13:52	\$10.00
2	4/17/2007	14:32:11	S	500	\$31.16	HLEX	14:33:02	0:00:51	\$15.00
3	4/18/2007	14:48:20	B	4500	\$1.84	ATSI	14:49:49	0:01:29	\$45.00
4	4/18/2007	12:08:02	B	4200	\$1.83	ATSI	12:12:55	0:04:53	\$42.00
5	4/19/2007	10:56:51	B	1000	\$6.58	NOVA	10:58:29	0:01:38	\$10.00
6	4/20/2007	14:11:06	S	1666	\$27.80	RIMG	14:15:04	0:03:58	\$183.26
7	4/27/2007	14:55:49	S	2500	\$6.65	CYBI	14:57:01	0:01:12	\$125.00
8	4/30/2007	9:57:53	S	300	\$1.85	ATSI	10:07:34	0:09:41	\$3.00
9	4/30/2007	14:48:51	B	2500	\$1.91	ATSI	14:52:28	0:03:37	\$125.00
10	5/1/2007	13:29:50	S	4000	\$4.50	XATA	13:32:13	0:02:23	\$25.00
11	5/3/2007	10:45:02	B	600	\$28.97	SPAR	10:48:23	0:03:21	\$132.00
12	5/10/2007	15:05:39	S	600	\$22.70	RIMG	15:06:24	0:00:45	\$36.00
13	5/11/2007	10:16:20	B	1000	\$6.56	NOVA	10:18:06	0:01:46	\$10.00
14	5/24/2007	15:41:17	B	2100	\$4.29	BIOS	15:43:35	0:02:18	\$21.00
15	6/1/2007	12:56:27	S	2000	\$5.37	AUDC	12:58:14	0:01:47	\$40.00
16	6/13/2007	15:57:55	B	1000	\$11.68	TASR	15:58:27	0:00:32	\$10.00
17	6/18/2007	15:38:18	S	2700	\$7.00	CYBI	15:39:24	0:01:06	\$54.00
18	6/26/2007	09:59:20	S	1000	\$30.07	MATR	10:00:09	0:00:49	\$20.00
19	6/26/2007	15:47:51	S	1000	\$21.69	FRPT	15:48:39	0:00:48	\$100.00
20	6/29/2007	15:15:33	S	1000	\$50.12	SRDX	15:16:34	0:01:01	\$80.00
								Total Restitution =	\$1,086.26

(included within 20060062761)

AWC Exhibit C

[illegible]

35	6/7/2007	9:40:36	S	ATSI	100	1.63	8	6/7/2007	9:40:10	B	2000	1.63	N/A
36	6/20/2007	11:40:11	S	FRPT	200	24.28	9	6/20/2007	11:39:39	B	5000	24.30	\$10.00
37	6/20/2007	11:40:11	S	FRPT	100	24.28							
38	6/20/2007	11:40:11	S	FRPT	200	24.28							
39	6/20/2007	11:40:11	S	FRPT	200	24.28							
40	6/20/2007	11:40:13	S	FRPT	100	24.29							
41	6/20/2007	11:40:13	S	FRPT	100	24.29							
42	6/20/2007	11:40:13	S	FRPT	200	24.29							
43	6/20/2007	11:40:19	S	FRPT	100	24.30							
44	6/20/2007	11:40:19	S	FRPT	1000	24.30							
45	6/20/2007	11:40:59	B	FRPT	100	24.28							
46	6/20/2007	11:41:06	B	FRPT	100	24.28							
47	6/20/2007	11:41:23	B	FRPT	100	24.28							
											Total Restitution =		\$259.00

Dougherty & Company LLC ("DOTC")
Matter No. 20080123874
(included within 20060062761)

AWC Exhibit D

Item No.	Date	Issue	Quantity	Trade Time	Trade Price	Closest inter-dealer price	Best Execution Price	Restitution Due
1	10/4/2007	SLM.WM	50	15:23:00	\$77.20	\$69.05	\$70.431	\$3,384.50
2	10/5/2007	SLM.WM	30	13:39:00	\$77.20	\$69.05	\$70.431	\$2,030.70
3	10/25/2007	SLM.WM	70	13:06:00	\$74.70	\$68.00	\$69.36	\$3,738.00
4	11/13/2007	CFC.LI	100	11:10:00	\$90.50	\$86.80	\$88.536	\$1,964.00
5	11/13/2007	CFC.LI	100	11:11:00	\$90.50	\$86.80	\$88.536	\$1,964.00
6	12/10/2007	ABK.GI	30	14:14:00	\$82.625	\$79.75	\$81.345	\$384.00
							Total Restitution =	\$13,465.20