

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014039171201**

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

RE: Dougherty & Company LLC, Respondent
Member Firm
CRD No. 7477

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

I.

ACCEPTANCE AND CONSENT

- A. Dougherty 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

Dougherty has been a FINRA registered firm since September 1977. The Firm provides municipal advisory, municipal underwriting, investment advisory and brokerage services. The Firm employs 124 registered individuals in nine branch offices. Dougherty is headquartered in Minneapolis, Minnesota.

RELEVANT DISCIPLINARY HISTORY

The Firm has no relevant disciplinary history.

OVERVIEW

From November 27, 2011 through January 3, 2014 (the "Relevant Period"), Dougherty provided underwriting services for 54 issuers with which it had active "blanket" financial advisory agreements. Through this conduct, Dougherty violated MSRB Rule G-23.

FACTS AND VIOLATIVE CONDUCT

MSRB Rule G-23 is designed to minimize the prima facie conflict of interest that exists when a municipal securities professional acts as both financial advisor and underwriter with respect to the same issue.¹ The primary role of an underwriter is to purchase or arrange for the placement of securities in an arms-length commercial transaction between the issuer and the underwriter.² In a financial advisory relationship, however, both the issuer and financial advisor have a mutually beneficial interest in the issuance of securities.

MSRB Rule G-23(b) provides that, among other things, a financial advisory relationship is deemed to exist for purposes of Rule G-23 when a dealer enters into an agreement with an issuer to provide financial advisory services to an issuer with respect to the issuance of municipal securities, including advice with respect to the structure, timing, and terms of the issue.

After November 27, 2011, Rule G-23 was amended to preclude a dealer with a financial advisory relationship with respect to the issuance of municipal securities from acquiring all or any portion of such issue, directly or indirectly.

During the Relevant Period, Dougherty had 54 blanket financial advisory agreements with separate municipal bond issuers. The blanket agreements were not limited by time or specific issuances of bonds. Rather, the agreements outlined Dougherty's responsibilities as financial advisor for all "projects that require the issuance of obligations." The Firm's responsibilities to the issuers included recommending the type or types of bonds to be utilized, assisting in determining the amount of financing required and recommending financing or refinancing programs to fit the issuers' resources and requirements. In exchange for financial advisory services, Dougherty would have received a fee for each specific bond issue.

Despite these blanket financial advisory agreements, during the Relevant Period Dougherty provided municipal underwriting services to the 54 municipal issuers with which it had blanket financial advisory agreements. Dougherty was compensated only as an underwriter for those issuances.

As a result of the foregoing conduct, Dougherty violated MSRB Rule G-23.

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

¹ MSRB Rule G-23 Interpretive Guidance, "Issuer consent: financial advisor participation in underwriting – April 10, 1984."

² MSRB Rule G-23 Interpretive Guidance, "Guidance on the Prohibition on Underwriting Issues of Municipal Securities for which a Financial Advisory Relationship Exists Under Rule G-23 – November 27, 2011."

1. A censure; and
2. A fine in the amount of \$50,000 (attributable entirely to the violation of MSRB Rule G-23).

Dougherty agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Dougherty has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

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

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

II.

WAIVER OF PROCEDURAL RIGHTS

Dougherty 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, Dougherty 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.

Dougherty 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

Dougherty 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 Dougherty;
 - 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. Dougherty 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. Dougherty 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: (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. Dougherty 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 the Firm has agreed to its 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.

Respondent Dougherty & Co. LLC

06/07/2016
Date (mm/dd/yyyy)

David Evans Rosedahl
By: David Evans Rosedahl
Title: General Counsel

Reviewed by:

Daniel Supalla
Daniel Supalla
Counsel for Respondent
Briggs & Morgan
2200 IDS Center
80 South 8th Street
Minneapolis, MN 55402
Telephone: (612) 977-8870

Accepted by FINRA:

06/08/16
Date

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

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Seema Chawla, Senior Regional Counsel
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