

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E072005007803

TO: Department of Enforcement
NASD

RE: Dawson James Securities, Inc., Respondent
Broker-Dealer
[CRD No. 130645]

Pursuant to Rule 9216 of the NASD Code of Procedure, Respondent 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 it alleging violations based on the same factual findings.

We understand 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 Enforcement and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs ("ODA"), 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 us; and
3. If accepted:
 - a. *this AWC will become part of our permanent disciplinary record and may be considered in any future actions brought by the NASD or any other regulator against us;*
 - b. *this AWC will be made available through NASD's public disclosure program in response to public inquiries about our 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. *We 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.*

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Nothing in this provision affects our testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which the NASD is not a party.

We also understand that 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:

Dawson James Securities, Inc. ("the firm" or "Respondent") has been a member of NASD since August 6, 2004. During all periods mentioned herein, the firm was a registered broker-dealer and a member of NASD, which registration and membership remain currently in effect. The firm has no disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

We specifically and voluntarily waive the following rights granted under the NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against us;
- 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, we specifically and voluntarily waive 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.

We further specifically and voluntarily waive 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

- A.** We hereby accept and consent, 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:

During the period from November 1, 2004 through January 12, 2005, the firm issued at least 50 research reports, and/or "Morning Notes," the latter of which consisted of segments of research reports accompanied by current news disseminated to clients through an Internet website. The firm failed to include certain requisite disclosures and/or adequate disclosures in both the research reports and the morning notes, as follows: the firm failed to define its ratings used in its research; failed to disclose the distribution of its ratings for companies on which it issued research and failed to disclose the percentage of covered companies for which it had also provided investment banking services for the prior 12 months; failed to provide price charts reflecting dates that ratings or target prices were assigned or changed; failed to provide its valuation methods for determining price targets; and failed to prominently display certain disclosures or provide reference for disclosures contained within the reports.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rules 2711(h)(4), (5), (6), (7), and (10) and 2110 by Respondent Dawson James Securities, Inc.

- B.** We also consent to the imposition, at a maximum, of the following sanctions:

A censure and a monetary fine in the amount of \$25,000 against Respondent Dawson James Securities, Inc.

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The sanctions imposed herein shall be effective on a date set by the NASD staff. Pursuant to IM-8310-2(f), a bar or expulsion shall become effective upon approval or acceptance of this AWC by the NAC.

III.

OTHER MATTERS

- A. We understand that we 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. We understand that if we are barred or suspended from association with any NASD member, we become subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, we may not be associated with any NASD member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. (See NASD Rule 8310 and IM-8310-1).

We certify that we have read and understand all of the provisions of this AWC and have 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 us to submit it.

2-24-06
Date


Dawson James Securities, Inc.
by: Albert Pollak, President

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Accepted by NASD:

2/22/00.

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


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