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Ms. Marcia E. Asquith
Senior Vice President and Corporate Secretary
FINRA
pbcom@finra.org

Re: **Re: GENRAL COMMENTS ON PROPOSED RULE SET FOR LIMITED CORPORATE
FINANCING BROKERS**

Dear Ms. Asquith:

I commend FINRA for proposing a separate rule set that would apply exclusively to firms that meet the definition of limited corporate financing broker (“LCFB”). This new rule set potentially could streamline regulation specifically for an LCFB’s business activities. However, I think that more consideration and work are needed in order to implement such a rule set. Many of the concerns have already been addressed by others. I will merely highlight a few that are of particular concern.

The proposed rule set seems overly restrictive without much by way of benefits to the LCFB.

I must assume that the scope of advising a company regarding the purchase or sale of a business or assets, corporate restructuring, and/or divestiture or merger, would include a valuation analysis and the analysis of strategic alternatives under the proposed rule set. More typically, such advice is to assist companies in developing strategies for transferring ownership within the family, sale to shareholders/partners, sale to employees, sale of business or merger, liquidation, and recapitalization.

Such advice may also include “show-me” type valuations that would not be for purposes of a transaction. Among these are valuations for estate and gift tax purposes, employee benefit plans, disputes, wealth transfer strategies for the closely-held business owner, and so forth.

A particular area of concern with the proposed rule set for the LCFB falls under the basic definition of an LCFB, which seems to restrict activities to advising an issuer or company and/or its board of directors. Any qualifying, identifying or soliciting of investors would be limited to institutional investors as defined under LCFB Rule 016(g)(1). The \$50 million minimum asset requirement for persons (entities) other than institutions is problematic.

I highlight the following Request for Comment: *Does an LCFB normally make recommendations to customers to purchase or sell securities? Should an LCFB be subject to rules requiring firms to know their customers (LCFB Rule 209) and imposing suitability obligations (LCFB Rule 211) to an LCFB?*

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The advisor generally does not make specific recommendations to the issuer, company, or board. The advisor instead assists the customer in making his, her, or its own decisions. For instance, a fairness opinion specifically states that “this fairness opinion is not a recommendation to buy or sell.”

Accordingly, under the proposed rule set, an LCFB would be able to advise an issuer, a company or its board, but would not be able to qualify prospective investors unless the investors met the institutional investor qualification. This would limit the scope of an LCFB’s services and it would be hard to justify a success fee upon the closing of a transaction, unless the prospective investor qualified as an institutional investor.

Before choosing to be treated as an LCFB, I would like to see a better balance between activity restrictions and benefits to the Member. This could be accomplished by either reworking the rule set by loosening the restrictions on an LCFB’s business activity or significantly reducing the FINRA imposed costs of doing business – membership fees, SIPC and fidelity insurance requirements, and the need for an annual audit.

I hope my comments on the proposed rule set are helpful.

Richard B. Dole, ASA, CFA
Chief Executive Officer
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