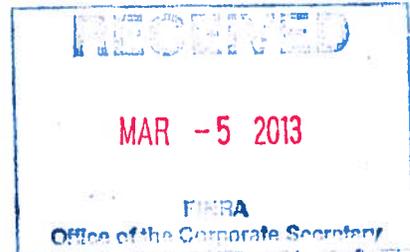


CAPSTONE ADVISORY GROUP

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February 28, 2013

Marcia Asquith
Senior Vice President & Corporate Secretary
FINRA
1735 K Street, NW
Washington D.C. 20006



Dear Ms. Asquith:

I am generally supportive of regulatory proposals that aim to disclose to investors the existence of genuine conflicts of interest. However, FINRA Regulatory Notice 13-02 concerning recruitment compensation is so inherently flawed that I cannot support it. The unintended consequences of FINRA's approach to recruitment compensation disclosures will harm financial advisors and, more importantly the investors we serve. For the following reasons, I strongly urge FINRA to reevaluate Regulatory Notice 13-02 to address its many shortcomings, set forth below:

The proposed rule questions the motives of all financial advisors. The added disclosure assumes that all advisors act in bad faith and suggests that clients should not trust their advisor after they have received enhanced compensation as part of being recruited to a new firm. However, many recruitment compensation packages do not raise any conflicts of interest and may, in fact, benefit investors. For example, a recruitment package that covers the clients' ACAT transfer fees, the advisors' moving expenses, or new information materials does not create a conflict of interest between clients and advisors. Instead it may allow a financial advisor to move his clients to a firm that can better serve their needs.

The proposed rule treats similar compensation arrangements differently. It leaves out some compensation that may potentially raise conflicts of interest. For example, retention bonuses would not be included under FINRA's definition of enhanced compensation even if they did incentivize an advisor to put his or her interest ahead of a client's. We have often seen large numbers of brokers leave a merged firm the month after their retention bonuses vest. If leaving the firm is the right decision for their clients, why did they wait if not because of the potential loss of income?

Finally, I believe FINRA has a vested interest in encouraging its advisors to build strong successful practices. In my twenty plus years of practice I have seen far more abuses occur in those practices that are starved for income than from successful practitioners. Encouraging advisors to merge and consolidate their practices and compensating them for their expenses to do so has the potential to offer them a solution that is available to virtually every other business in America. This proposed regulation could cripple that opportunity and cause financially weak advisors to stay independent rather than be viewed by clients as selling out.

Thank you for considering my views.

Paul Woolfrey

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