



Partnership Consultants, Inc.

A LEADER IN PARTNERSHIP RESEARCH

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November 11, 2011

Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Via email: pubcom@finra.org

Ms. Asquith:

We are submitting this letter of comment to voice our concerns of the proposed changes as noted in the Financial Industry Regulatory Authority's ("FINRA") Regulatory Notice 11-44 ("11-44"). The changes to FINRA Rule 2340 attempt to address the values of unlisted Direct Participation Programs ("DPPs") and Real Estate Investment Trusts ("REITs") as they are to be reported on customer account statements. It appears that 11-44 contradicts existing valuation requirements as set out by the Financial Accounting Standards Board ("FASB") and Accounting Standards Codification ("ASC") 820.

As stated in 11-44, "FINRA proposes to permit valuations based on the offering price during the Initial Offering Period when the program is acquiring assets and firms are selling shares at a stable value on a best-efforts basis. However, FINRA proposes to amend the rule to require that all per share estimated values, including those that are based on the offering price, reflect a deduction of all organization and offering expenses (net value)."

It is our understanding that the FASB partnered with the Securities and Exchange Commission ("SEC") and developed "Fair Value" rules as explained in ASC 820. However, this should not be confused with "Fair Market Value" in the Internal Revenue Service's ("IRS") Revenue Ruling 59-60. The FASB has incorporated the provisions of ASC 820 in Generally Accepted Accounting Principles ("GAAP"). In addition, in ASC 825 the FASB and the SEC demand that, **once a method of valuing assets has been selected, the firms are required to continue to utilize that same method for the life of the asset.** ASC 825 (formerly FAS 159) specifies that the initial choice of valuation method is up to the reporting entity, but once selected it cannot be changed.

As referenced above, another key factor that appears to not be taken into consideration is the IRS Revenue Ruling 59-60. In Section 1 of 59-60 it states, "The purpose of this Revenue Ruling is to outline and review in general the approach, methods and factors to be considered in valuing shares of the capital stock of closely held corporations for estate tax and gift tax purposes. The methods discussed herein will apply likewise to the valuation of corporate stocks on which market quotations are either unavailable or are of such scarcity that they do not reflect the fair market value." (The IRS's Fair Market Value vs FASB and SEC's Fair Value vs FINRA's Net Value)

When taking ASC 820 and IRS Rev Ruling 59-60 into consideration, it appears the proposed changes to FINRA Rule 2340 may cause serious issues for firms reporting values. The proposed changes identified in 11-44 also do not address redemption prices and secondary market trades. So our primary concern is whether there is empirical evidence to support FINRA 11-44 (Rule 2340) over ASC 820 or Rev Ruling 59-60. Also, it is questionable whether the IRS would accept the 11-44 approach in place of Rev Ruling 59-60 for estate valuations.

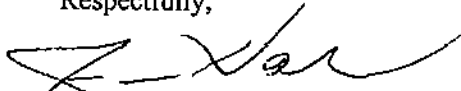
In addition, it appears that issuers will have to value assets one way for their SEC filings and provide a potentially different value to the Broker-Dealers and other reporting firms. It is hard to imagine a situation where the FINRA value, as described in 11-44 and the ASC 820 value would be the same. This has the potential of increasing the confusion, rather than reducing the confusion. For example, would anyone at the Broker-Dealers be able to explain the relevancy of the different values for the same time period?

With that said, we have used a method similar to 11-44 if the valuation date is during the offering period and if the offering period is relatively short and other indicators are not available. However, once the redemption price kicks in, the method prescribed by 11-44 becomes meaningless, so the proposed changes will cause confusion for multiple-year offerings. In addition, can FINRA convince the FASB and the SEC of the need to amend ASC 825 to allow changes in method?

About Partnership Consultant, Inc. ("PCI")

PCI has been providing pricing and valuation services for non-exchange securities for financial services industry clients since the 1980s. We compiled the only known directory of limited partnerships and we have worked for years to help client understand their non-exchange assets.

Respectfully,

A handwritten signature in black ink, appearing to read 'Jon Hale', is written over the printed name of Jon Hale.

Partnership Consultants, Inc.

By: Jon Hale, President
Sarasota, Florida