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VIA E-MAIL (pubcom@finra.org)

Jennifer Piorko Mitchell
Office of the Corporate Secretary
Financial Industry Regulatory Authority, Inc.
1735 K Street, NW
Washington, DC 20006-1506

Re: Regulatory Notice 17-15: Corporate Financing

Dear Ms. Mitchell:

On behalf of the Alternative & Direct Investment Securities Association (“ADISA”)¹, we are submitting this comment letter regarding the Regulatory Notice 17-15: Corporate Financing (the “**Notice**”) to the FINRA Corporate Financing Rule 5110 (the “**CF Rule**”). ADISA appreciates the opportunity to provide comments on behalf of its members.

The revisions to the CF Rule are significant. However, the comments requested in the Notice include the following:

1. What are the alternative approaches, other than the proposal, that FINRA should consider?
2. Are there any ways in which FINRA administers Rule 5110, including the operations and processes it uses to receive or review filings that should be modified? If so, how?
3. In 2015, the SEC approved final rules to facilitate smaller companies’ access to capital that are commonly referred to as Regulation A+. What is the impact of Rule 5100 on underwriting services currently being provided in offerings pursuant to Regulation A+? Would the proposal impact the scope of underwriting services currently being provided in this offerings? What if any improvements could FINRA adopt to its treatment of Regulation A+ offerings?

¹ ADISA (Alternative & Direct Investment Securities Association), is the nation’s largest trade association for the non-traded alternative investment space. ADISA represents over 4,000 financial industry members, reaching over 30,000 investment professionals (with over \$142 billion AUM) who handle over 1 million investors.

4. With respect to the exception from underwriting compensation related to private placements with institutional investors, the proposal would increase the threshold from 20 percent to 40 percent in the condition that limits members of the syndicate in the aggregate to acquiring no more than 20 percent of the securities sold in the private placement. Is this change in the threshold appropriate? Should the threshold be higher or lower? Similarly, does the proposal to remove the limitation on acquiring more than 25 percent of the issuer's total equity securities as underwriting compensation have any potential negative impact on issuer and investor protection?

5. Prior to 2004, Rule 5110 contained a "stock numerical limit" that prohibited underwriters and related persons from receiving securities that constitute underwriting compensation in an aggregate amount greater than ten percent of the number or dollar amount of securities being offering to the public. FINRA eliminated this requirement as unnecessary as the required warrant formula results in a de facto stock numerical limit. If Rule 5110 is amended to eliminate the warrant formula, should a new stock numerical limit be included?

6. The proposal would allow the value of options, warrants and other convertible securities received as underwriting compensation to be based on a securities valuation method that is commercially available and appropriate for the type of securities to be valued, such as, for example, the Black-Scholes model for options. Is this change appropriate? Should the valuation model be limited to one that is commercially available?

ADISA believes that many of the proposed changes to the CF Rule will be beneficial to its members; however, ADISA has the following specific comments on the Notice and its request for comments.

Extending Time Limits for Filings

ADISA commends FINRA on extending the time limits for filing public offerings through the Public Offering Filing System from one business day to three business days. ADISA believes that such extension of time will enable filers to meet the filing deadlines but will also enhance the accuracy of such filings providing extra time for review by all parties required to approve such filings.

Filing of Amended Documents

The Notice modifies the requirements with respect to filing amendments to documents to only require the filing of marked pages of those documents if there are "changes to the offering and the underwriting terms and arrangements." See CF Rule 5110(a)(4)(A)(iii). One could expect that any amendments to a registration statement or other offering document (and its related exhibits) would constitute a change "to the offering" and/or the "underwriting terms and arrangements." This change makes it more confusing for a FINRA member and its counsel to determine whether to file marked pages to an amended document. As a result, ADISA does not believe that any changes in the filing of amendments would occur. A clarification with respect to FINRA's intentions would be welcome in connection with this proposed change.

Disclosure of Aggregate Compensation

ADISA also commends FINRA for changing the disclosure requirements to only require the aggregate amount of all compensation to be disclosed, other than discounts and commissions, in the Plan of Distribution section rather than requiring each category of compensation to be disclosed separately. Given the nature of many of ADISA member's offerings, it is difficult to estimate the exact amounts to be allocated to each particular category of compensation. An aggregate number should be sufficient to protect investor's interests while at the same time providing issuers and FINRA members with the benefits of not having to specifically allocate dollars to each various category of compensation.

Changes to Lockup Restrictions

ADISA does, however, take issue with respect to the change in the lockup restrictions from the date of effectiveness to the commencement of sales. ADISA believes that "commencement of sales" can be more vague and hard to determine rather than a definitive date of effectiveness. Many of ADISA member's offerings are "best efforts" and there can be a significant time lag between the date of effectiveness and the date of first sale (or the breaking of escrow). If the lockup restrictions do not begin until the commencement of sales, is that the date selling agreements are entered into, the date that the first subscription agreement is received, the date that escrow is broken, or some other date? The date of effectiveness is a date certain that is publicly available on the SEC's website and would provide clarity to all participants in the offering rather than a date that will be more difficult to determine and harder yet to notify the holders of the stock subject to such restrictions.

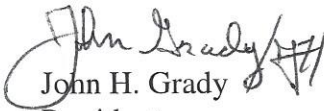
In addition, while a 180-day lockup period would be appropriate for an initial public offering, it does not appear that a 180-day lockup period would be appropriate with respect to follow on offerings. ADISA would recommend a 30 to 45 day lockup period with respect to follow on offerings.

Regulation A+ Offerings

With respect to Regulation A+ offerings, ADISA members believe that FINRA should be more responsive to the review and clearance of filings made pursuant to Regulation A+. The intent of the CF Rule is to protect issuers from FINRA members who would otherwise be able to demand unreasonable and unfair compensation in order to raise capital on behalf of small businesses. ADISA believes that there must be a balance between impeding capital raising activities by issuers represented by competent counsel and protecting smaller, more unsophisticated issuers who are not so represented and could be harmed without FINRA's oversight. Many ADISA members utilize Regulation A+ and believe that extensive and long reviews of those offerings have impacted their ability to effectively raise capital through the public markets.

ADISA would be happy to further discuss our concerns and continue to assist in creating appropriate protections for investors in the industry.

Sincerely,


John H. Grady
President

cc: Catherine Bowman, Legislative & Regulatory Committee Chair

Drafting Committee:

Deborah S. Froling