

From: billcaraway@sbcglobal.net
To: [Comment Letters](#)
Subject: MSRB Notice 2014-01
Date: Tuesday, January 14, 2014 12:48:11 PM
Attachments: [Chancellor Financial Associates-2014-01-20140114124806.pdf](#)
[MSRB Ltr 2 Aug 11 2011.doc](#)

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Notice number: 2014-01
Comment:

In 2011 I submitted the attached letter relative to small advisors. To date it would seem the agency is continuing to ignore the subject matter in the letter. Indeed Congressman Gene Green's office secured the support of Barney Frank as to the issues raised in the letter of 2011.

Please respond so I may determine what further action will be needed to protect my company's interest.

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August 12, 2011

Ms. Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F. Street, NE
Washington, DC 20549-1090

Re: S7-45-10 Small Advisor Exemption

Dear Ms. Murphy:

Chancellor Financial Associates is a consulting firm to Independent School Districts in Texas. Chancellor has been involved with Texas School Districts since 1993. I am a former member of the Texas House of Representatives and a former member of the Texas Higher Education Coordinating Board. I have held seminars in Texas for School Administrators, Business Managers and Board members at various professional gatherings on the topic of Alternative Financing in Texas.

Having served in the Legislature, I authored legislation dealing with lease purchase financing under the Texas Public Property Finance Act as well as legislation dealing with maintenance tax notes, time warrants and a variety of financing tools available to Texas school districts. I am the only employee in the company and serve small school districts with a student population below 3,000 in rural areas of Texas. I am called on by districts to explain state financing alternatives as well as general financial procedures for implementation.

Starting in September of last year I was advised by counsel to register with the MSRB and SEC as a Municipal Advisor. I have received my registration number and have with horror read daily emails from the MSRB as to many different statutes, rules and regulations pertaining ostensibly to my business. Most of the emails site various rules and regulations alien to me and seem to be focused on large securities dealers. Now I am advised of pending rules requiring exams as well as issues regarding the distinction between advisors vs. brokers, all of which seem to be designed to quash small advisors in the marketplace.

Small Municipal Advisor Exemption:

The Dodd-Frank bill (the "Act") states that the law shall not create an undue burden on small financial advisors. On page 91 of the Release No. 34-63576, File No. S7-45-10 (the "Release") the Securities and Exchange Commission ("SEC"). The Small Business Administration ("SBA") defines small business for the purposes of entities that provide financial investment and related activities as a business that had annual receipts of less than \$7 million during the preceding fiscal

year and is not affiliated with any person that is not a small business or small organization. The Commission is using the SBA's definition of small business to define municipal advisors that are small entities for the purposes of the Regulatory Flexibility Act (RFA). I request that Chancellor Financial Associates and William J. Caraway be exempted from the Act due to the burden it places on my company as a small Advisor.

Simply stated, I am the only employee of Chancellor Financial Associates, a sole proprietorship. During almost 20 years, I have never generated more than \$1 million in total revenue for any given year. For the last two years my gross revenue has never been over \$350,000. Further, Chancellor does not have the funds to retain a securities law firm to deal with all matters raised in the various daily emails from MSRB. Frankly, if the exemption is not granted then I will be required financially to close down Chancellor Financial after 20 years of serving rural Texas school districts. It would seem from the self-serving remarks by various associations and groups of advisors as to new regulations there is an intent to shut down any and all competition, no matter how small.

A simple solution would be to simply set a debt financing limit and exempt those firms involved in transactions at or below the limit from the Act. One suggestion is a limit predicated on the Internal Revenue Code's \$10 million limit (during a calendar year) in order for an issuer's bonds to be bank-qualified.

Proposed Rule 15Bal-2:

The Rule is not within my non-legal grasp and will require legal counsel to advise what each requirement entails. Considering the makeup of the MSRB board, it would seem that the making of rules is directed toward forcing out small Advisors. I noticed First Southwest Company senior officer is now Chairman of the Board of your organization. I am familiar with this company, which together with Southwest Securities, controls about 90% of the municipal bond business in Texas. It appears that the MSRB and SEC will complete the process for these large companies to consolidate all municipal bond business not only in Texas but throughout the country under their umbrella if the rules are forced on small Advisors. Most small advisors I have spoken with indicate suspicions as to the actions by the MSRB and SEC as to providing large firms total control over transactions anticipated in the Dodd-Frank Act. Therefore it would seem Congress has enacted a law which will create by regulations monopolies in the municipal advisory business.

Summary:

Thank you for your consideration,

William J. Caraway, President
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