

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2009016266201**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: DLS Capital Partners, LLC
Member
CRD No. 37155

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

DLS Capital Partners, Inc. has been a member of FINRA since November 1, 1994. The firm conducts a general securities business. DLS is entirely owned by DLS Holdings, which is owned by Mary Dorflinger and Neil Dorflinger, who are the firm's only two registered principals and representatives.

RELEVANT DISCIPLINARY HISTORY

DLS has no relevant disciplinary history.

OVERVIEW

From June 23, 2006 to July 10, 2009, DLS Capital Partners, Inc. failed to prepare an annual report to senior management regarding its supervisory control procedures.

Similarly, from June 23, 2006 to July 10, 2009, DLS failed to maintain an executed certification by its chief executive officer that the firm had processes in place to establish, maintain, review, test, and modify written compliance. Additionally, from June 23, 2006 to July 10, 2009, DLS failed to identify a second principal and a senior or independent individual responsible for supervising the firm's producing manager. Lastly, from June 23, 2006 to July 10, 2009, DLS failed to establish adequate anti-money laundering procedures and conduct adequate annual anti-money laundering tests.

FACTS AND VIOLATIVE CONDUCT

1. Annual Report to Senior Management and Second Principal

From June 23, 2006 to July 10, 2009, DLS failed to prepare an annual report to senior management regarding its supervisory control procedures. Additionally, from June 23, 2006 to July 10, 2009, DLS failed to identify a second principal responsible for supervising Neil Dorflinger, the firm's producing manager. Such acts, practices, and conduct violated NASD Rules 3012 and 2110 and FINRA Rule 2010. The conduct occurring between June 23, 2006 and December 14, 2008 violated NASD Rule 2110, and the conduct occurring between December 15, 2008 and July 10, 2009 violated FINRA Rule 2010.

2. Annual CEO Certifications

From June 23, 2006 to July 10, 2009, DLS failed to maintain an executed certification by its chief executive officer that the firm had processes in place to establish, maintain, review, test, and modify written compliance. Such acts, practices, and conduct violated NASD Rules 3012, 3013, 2110, and IM-3013, and FINRA Rules 3130 and 2010 by DLS. The conduct occurring between June 23, 2006 and December 14, 2008 violated NASD Rules 3013 and 2110 and IM-3013, and the conduct occurring between December 15, 2008 and July 10, 2009 violated FINRA Rules 3130 and 2010.

3. Anti-Money Laundering Procedures

From June 23, 2006 to July 10, 2009, DLS failed to establish adequate anti-money laundering procedures and conduct adequate annual anti-money laundering tests. Such acts, practices, and conduct violated NASD Rules 3011 and 2110 and FINRA Rule 2010 by DLS. The conduct occurring between June 23, 2006 and December 14, 2008 violated NASD Rule 2110, and the conduct occurring between December 15, 2008 and July 10, 2009 violated FINRA Rule 2010.

B. Respondent also consents to the imposition of the following sanctions:

A censure and a \$10,000 monetary fine.

Respondent agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against Respondent;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondent;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

Acceptance, Waiver and Consent
Case No. 2009016266201/ DLS Capital Partners, LLC

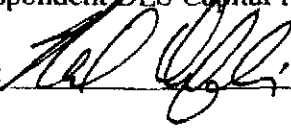
The undersigned, on behalf of the firm, certifies that a person duly authorized to act on behalf of the firm is signing, that Respondent has read and understands all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that it has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce it to submit it.

07/16/2011

Date (mm/dd/yyyy)

DLS Capital Partners

Respondent DLS Capital Partners, LLC

By: 

Accepted by FINRA:

09/28/2011

Date

Signed on behalf of the
Director of ODA, by delegated authority

Patrick K. Craine / w.p. by jrp

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Mary Dorflinger
Neil Dorflinger

DLS Capital Partners, Inc.
4345 Park Lane
Dallas, Texas 75220

July 16, 2011

RE: Exam No. 20090162662

Statement of Corrective Action

Please let this serve as the Statement of Corrective Action to be attached to the AWC.

There are two active employees of DLS Capital Partners. They are Mary Dorflinger, and Neil Dorflinger. They are married and share the responsibilities of running the firm.

The firm has revised its Written Supervisory Procedures to include a preparation of an annual report to senior management regarding its supervisory control procedures. Exhibit C was added, "Annual Test of Firm's Supervisory Controls Procedures and Report of the Test Findings". Mary Dorflinger and Neil Dorflinger test the Firm's Supervisory Controls Procedures and report the test findings.

The firm maintains an executed certification by its chief executive officer annually that the firm had processes in place to establish, maintain, review, test, and modify written compliance. It is Exhibit A, an amendment to the firm's Written Supervisory Procedures. "Report Evidencing Annual Compliance".

DLS has identified a second principal and a senior or independent individual responsible for supervising the firm's producing manager. Exhibit D of the firm's Written Supervisory Procedures certifies that Mary Dorflinger is supervising Neil Dorflinger, whose activity accounts for over 20% of the firm's transactions, in under the firm's system of heightened supervision.

Finally, DLS Capital Partners has hired an independent firm to establish adequate anti-money laundering procedures and conduct adequate annual anti-money laundering tests.

This Corrective Action Statement is submitted by the Respondent. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.