

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO.2010021058401**

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

RE: Alternative Wealth Strategies, Inc., Respondent
Former Member Firm
CRD No. 130933

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 it 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

From August 2004 to May 2011, Alternative Wealth Strategies, Inc. ("Firm") was a member of FINRA. The Firm primarily sold securities offered through Regulation D private placements and had 32 registered persons operating from 23 branch offices. It has no FINRA disciplinary history.

OVERVIEW

The Firm negligently omitted material facts in connection with its sale of promissory notes. It also failed to make required disclosures in a research report regarding material conflicts of interest. In addition, the Firm prepared and used sales literature that contained certain false, exaggerated, unwarranted and/or misleading statements and failed to disclose required information. It also failed to establish, maintain and enforce a reasonably-designed system of supervisory

control policies and procedures, and failed to prepare proper annual certifications of its compliance and supervisory processes. Finally, the Firm failed to ensure that it established, maintained and enforced reasonably-designed written supervisory procedures. This conduct violated NASD Conduct Rules 2210, 2711, 3010, 3012 and 2110, FINRA Rules 3130 and 2010, and MSRB Rule G-27.

FACTS AND VIOLATIVE CONDUCT

Negligent Material Omissions

From November 2008 through August 2009, the Firm negligently omitted material facts in connection with its sales of promissory notes. The notes were issued by an entity called ROI III, which was controlled by ER, a Florida real-estate developer. The Firm negligently failed to disclose to investors that ROI III had been experiencing cash-flow problems since at least October 2008 and that ROI III and other ER affiliated companies had failed to make required interest payments to investors since that time. In addition, the Firm negligently failed to disclose that it was unlikely that ROI III's affiliated company, ROI II, would be able to make its scheduled principal payments totaling \$10 million that were due to its note holders in July 2009. By negligently omitting material facts, the Firm violated NASD Conduct Rule 2110 (for conduct before December 15, 2008) and FINRA Rule 2010 (for conduct after December 14, 2008).

Research Analyst Violations

In February 2010, the Firm distributed a document called "Investor Letter" for a company called Terra Energy & Resources Technology, Inc. ("Terra Energy"). The Investor Letter constituted a research report, but it failed to disclose a Firm representative's ownership interest in Terra Energy and his receipt of compensation from the company. By failing to make required disclosures in a research report, the Firm violated NASD Conduct Rule 2711(h)(1)(A) and FINRA Rule 2010.

Advertising Violations

From October 2009 to August 2010, the Firm permitted its registered persons to use PowerPoint presentations regarding Terra Energy to solicit potential investors at seminars. The presentations contained statements and projections that were without basis, false, exaggerated, unwarranted and/or misleading. They also failed to provide a balanced presentation by omitting material information regarding the significant risks associated with an investment in Terra Energy. By making such statements and failing to disclose required information in the presentations, the Firm violated NASD Conduct Rules 2210(d)(1)(A) and (B) and FINRA Rule 2010.

Supervisory Deficiencies

From June 7, 2008 to September 12, 2010 ("relevant time period"), the Firm failed to establish, maintain and enforce a system of supervisory control policies and procedures that (a) tested and verified that its supervisory procedures were reasonably designed with respect to the activities of the firm and its registered representatives and associated persons to achieve compliance with applicable securities laws and regulations and (b) created additional or amended supervisory procedures where the need was identified by such testing and verification. For example, the Firm's supervisory control policies and procedures failed to identify producing managers and assign qualified principals to supervise such managers. The Firm also failed to electronically notify FINRA of its reliance on the "limited size and resources" exception.

For year-end 2008, the Firm also failed to prepare an annual certification from its CEO (or an equivalent officer) that it had in place processes to establish, maintain, review, test and modify written compliance policies and written supervisory procedures reasonably designed to achieve compliance with applicable FINRA rules, MSRB rules and federal securities laws and regulations, and that the CEO had conducted one or more meetings with the Firm's Chief Compliance Officer in the preceding twelve months to discuss such processes. In addition, for year-end 2009, the Firm filed an annual certification that did not fully comply with FINRA Rule 3130(c).

By failing to establish, maintain and enforce a reasonably-designed system of supervisory control policies and procedures and failing to prepare proper annual CEO certifications, the Firm violated NASD Conduct Rules 2110 (for conduct before December 15, 2008) and 3012, FINRA Rules 3130 and 2010 (both FINRA rules are charged for conduct after December 14, 2008), and MSRB Rule G-27.

During the relevant time period, the Firm also failed to establish, maintain and/or enforce written supervisory procedures reasonably designed to achieve compliance with the laws and regulations applicable to its business in conducting private placement offerings (including training representatives regarding the risks for these offerings and establishing standards for determining the suitability of these offerings for investors), the review of electronic correspondence, and the review and approval of advertising materials.

By failing to establish, maintain and enforce reasonably-designed written supervisory procedures, the Firm violated NASD Conduct Rules 2110 (for conduct before December 15, 2008) and 3010 and FINRA Rule 2010 (for conduct after December 14, 2008).

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

- a censure; and
- a fine of \$75,000, which includes the disgorgement of commissions received of \$40,000.

Respondent agrees to pay the monetary sanction 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 sanction 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 it;
- 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;
- C. If accepted:
 - 1. this AWC will become part of the Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about its 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 Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party; and

- 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.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has 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 the firm to submit it.

Alternative Wealth Strategies, Inc.

10/3/2011
Date (mm/dd/yyyy)

By: James C. Gaul
James C. Gaul
Chairman and Chief Executive Officer

Accepted by FINRA:

October 31, 2011
Date

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

David F. Newman
David F. Newman
Senior Regional Counsel
FINRA Department of Enforcement
1835 Market Street
Philadelphia, PA 19103
(215) 963-2608; Fax (215) 496-0434