

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010021058402

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

RE: James C. Gaul, Respondent
General Securities Principal and
General Securities Representative
CRD No. 218833

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I submit 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 me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, 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

In September 1988, James C. Gaul ("Gaul") first became registered with FINRA as a General Securities Representative and a General Securities Principal. From March 4, 2004 to February 24, 2011, Gaul was registered in those same two capacities through former member firm Alternative Wealth Strategies, Inc. ("Firm") and was that firm's CEO. The Firm was also registered with the Municipal Securities Rulemaking Board ("MSRB"). Gaul is not currently associated with a FINRA member.

RELEVANT DISCIPLINARY HISTORY

On April 5, 2011, Gaul entered into an AWC with FINRA in which he agreed, without admitting or denying the findings, to a \$5,000 fine for failing to enforce the Firm's written supervisory procedures with respect to branch office inspections.

OVERVIEW

Gaul negligently omitted material facts in connection with the Firm's sale of promissory notes. He also failed to ensure that the Firm established, maintained and enforced a reasonably-designed system of supervisory control policies and procedures, and he failed to prepare proper annual certifications of its compliance and supervisory processes. In addition, Gaul failed to ensure that the Firm established, maintained and enforced reasonably-designed written supervisory procedures. This conduct violated NASD Conduct Rules 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, acting through Gaul and another Firm principal, 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, acting through Gaul and another Firm principal, 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, acting through Gaul and another Firm principal, 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, Gaul violated NASD Conduct Rule 2110 (for conduct before December 15, 2008) and FINRA Rule 2010 (for conduct after December 14, 2008).

Supervisory Deficiencies

From June 7, 2008 to September 12, 2010 ("relevant time period"), the Firm, acting through Gaul, 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, acting through Gaul, 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, acting through Gaul, 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, Gaul 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, acting through Gaul, 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, Gaul violated NASD Conduct Rules 2110 (for conduct before December 15, 2008) and 3010 and FINRA Rule 2010 (for conduct after December 14, 2008).

B. I also consent to the imposition of the following sanctions:

- a thirty-business-day suspension from association with any FINRA member in any capacity;
- an eighteen-month-suspension from association with any FINRA member in any principal capacity; and
- a fine of \$10,000.

The fine shall be due and payable either immediately upon reassociation with a member firm following the thirty-business-day suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

I understand that if I am suspended from associating with any FINRA member in a principal capacity, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in a principal capacity during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because I am subject to a statutory disqualification during the suspension, if I remain associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

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

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- 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, I specifically and voluntarily waive any right to claim bias or prejudice 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.

I further specifically and voluntarily waive 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

I understand 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"),

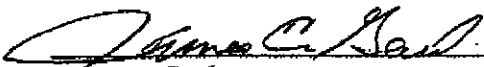
pursuant to FINRA Rule 9216;

- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me;
- C. If accepted:
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my 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. I 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. I 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; and
- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I 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.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have 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

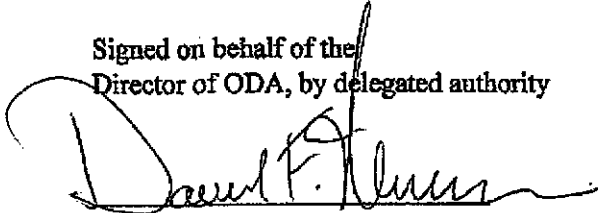
made to induce me to submit it.

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


James C. Gaul,
Respondent

Accepted by FINRA:

October 31, 2011
Date

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

David F. Newman
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