

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011025846001**

**To: Department of Enforcement
Financial Industry Regulatory Authority (FINRA)**

**Re: Jim Eugene Scala, Jr.
General Securities Representative
CRD No. 2493873**

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Jim Eugene Scala, Jr. 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 Scala alleging violations based on the same factual findings described herein.

I. ACCEPTANCE AND CONSENT

- A. Scala 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

Scala entered the securities industry on June 27, 1994. From August 6, 2010 through the present, Scala has been associated with FINRA broker-dealer Dalton Strategic Investment Services, Inc. (DSIS) as a sales representative and registered with FINRA as a general securities representative, which registration remains in full force and effect.

Relevant Disciplinary History

Scala has not been the subject of prior formal disciplinary action by FINRA.

Overview

From December 2010 through March 2011, Scala sold 7,600 personally-owned shares of Deluge, Inc. to nine customers in eleven separate transactions in violation of NASD Rule 3040 and FINRA Rule 2010.

Facts and Violative Conduct

1. Deluge, Inc. is an alternative energy company, which is unlisted on any stock exchange. The Phoenix-based company describes itself as the inventor of the "Natural Energy Engine." The engine utilizes small amounts of heat energy from solar, geothermal, or any other heat source, including waste heat from existing processes to generate electricity, desalinate or purify water, pump liquids such as water or oil, compress gas, and perform the same kinds of work done by other engines.
2. Scala initially purchased one-half share of Deluge on August 29, 1997 for \$6,000. Deluge had a 10,000/1 stock split on July 30, 1999 and a 5/1 stock split on June 1, 2000. As a result of the stock splits, as of April 1, 2008, Scala owned 25,000 shares of Deluge, with a cost basis of \$0.24 a share.
3. From December 2010 through July 2011, while associated with DSIS, Scala sold the following shares he owned in Deluge to nine individuals:

Customer Name	Date	Shares Sold	Price Per Share	Transaction Total
J.S.	12/2010	2,000	\$3.50	\$ 7,000
K.J.	12/2010	1,000	\$3.50	\$ 3,500
K.J.	01/2011	1,000	\$5.00	\$ 5,000
B.V.S.	03/2011	1,000	\$3.00	\$ 3,000
B.V.S.	05/2011	400	\$5.00	\$ 2,000
W.G.	04/2011	500	\$5.00	\$ 2,500
D.J.	06/2011	300	\$5.00	\$ 1,500
G.G.	05/2011	300	\$5.00	\$ 1,500
R.F.	04/2011	300	\$5.00	\$ 1,500
T.B.	03/2011	500	\$5.00	\$ 2,500
C.E.	07/2011	300	\$5.00	\$ 1,500
Totals		7,600		\$31,500

4. At the time of each sale of Deluge stock, five of the nine individuals listed were DSIS customers.
5. Pursuant to NASD Rule 3040, Scala was required to give DSIS prior written notice and obtain prior written approval to sell his shares of Deluge. By failing to do so, Scala violated NASD Rule 3040 and FINRA Rule 2010.

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

1. a fine of \$5,000; and
2. a 15-business day suspension from association with any FINRA broker-dealer in all capacities.¹

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

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

Scala understands that if he is barred or suspended from associating with any FINRA member, he becomes 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, he 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).

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

II. WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against Scala;
- 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

¹ FINRA gave Scala credit for serving a suspension imposed by DSIS while the firm investigated Scala's private securities transactions.

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- 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, Scala 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.

Scala 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

Scala 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 Scala; and
- C. If accepted:
1. this AWC will become part of Scala's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against him;
 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Scala'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. Scala 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

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basis. Scala 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 Scala's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. Scala may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Scala understands that he 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.

Scala certifies that he has read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that he 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 Scala to submit it.

1/17/13
Date

Jim Scala Jr.
JIM EUGENE SCALA, JR.

Accepted by FINRA:

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

1/18/13
Date

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