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REGISTRATION & DISCLOSURE

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2006006316002**

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

RE: Alterna Capital Corp., Respondent
Member
CRD No. 130233

Pursuant to NASD Rule 9216 of the Code of Procedure, Alterna Capital Corp. (f/k/a Allen Konrad Asset Management, Corp.) 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 the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Alterna Capital 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

Alterna Capital has been a member of FINRA (f/k/a NASD) since June 16, 2004. The firm's membership with FINRA and registration with the SEC are current. Alterna Capital maintains one branch and has twelve registered persons. It generally engages in retail and private placement business.

RELEVANT PRIOR DISCIPLINARY HISTORY

Alterna Capital has not been the subject of any other formal disciplinary actions.

OVERVIEW

The offering memoranda for four contingency offerings, for which Alterna Capital Corp. served as the placement agent in 2005 and 2006, provide that investor funds will not be distributed to the issuer and others unless and until the requisite amount of funds has been collected. However, Alterna Capital, acting at the direction of its former principal, TA, directed that investor funds from those four offerings be prematurely disbursed from escrow before the contingencies had been satisfied through bona fide investments, thereby rendering the offering memoranda false and misleading. As a result of the foregoing, Alterna Capital violated Sections 10(b) and 15(c)(2) of the Securities Exchange Act of 1934, SEC Rules 10b-9 and 15c2-4, and NASD Conduct Rule 2110.

Alterna Capital also violated NASD Membership and Registration Rule 1022(c) and NASD Conduct Rule 2110 by failing to designate a licensed Limited Principal—Introducing Broker/Dealer Financial and Operations (“FINOP”) for a three-month period in 2006 and 2007.

FACTS AND VIOLATIVE CONDUCT

Violations of SEC Rules 10b-9 and 15c2-4

Allen Konrad Capital Appreciation Investors II LLC (“CA2 Offering”) was a \$2.4 million contingency offering for which Alterna Capital served as the placement agent. The offering memorandum for the CA2 Offering provides that investor funds will not be distributed from escrow to the issuer and others unless and until the requisite \$2.4 million has been collected. On June 13, 2005, when investors had wired \$1.86 million of the requisite \$2.4 million into the CA2 Offering escrow account, Alterna Capital, acting at the direction of TA, caused the escrow agent to prematurely disburse the funds from the escrow account. By July 29, 2005, investors had wired an additional \$480,000 into the CA2 Offering escrow account. On July 29, 2005, when investors had wired a total of \$2.34 million of the requisite \$2.4 million into the CA2 Offering escrow account, Alterna Capital, acting at the direction of TA, caused the escrow agent to prematurely disburse the additional deposited funds from the escrow account. The requisite \$2.4 million was ultimately collected for the CA2 Offering. Nevertheless, as a result of the foregoing, Alterna Capital violated Sections 10(b) and 15(c)(2) of the Securities Exchange Act of 1934, SEC Rules 10b-9 and 15c2-4, and NASD Conduct Rule 2110.

Allen Konrad Private Equity Investors LLC (“Private Equity Offering”) was a \$2.7 million contingency offering for which Alterna Capital served as the placement agent. The offering memorandum for the Private Equity Offering provides that investor funds will not be distributed from escrow to the issuer and others unless and until the requisite \$2.7 million has been collected. On August 26, 2005, when \$2.01 million of the requisite \$2.7 million had been wired into the Private Equity Offering escrow account, Alterna Capital, acting at the direction of TA, caused the escrow agent to prematurely disburse the funds from the escrow account. The requisite \$2.7 million was ultimately collected for the Private Equity Offering. Nevertheless, as a result of the foregoing, Alterna Capital violated Sections 10(b) and 15(c)(2) of the Securities Exchange Act of 1934, SEC Rules 10b-5 and 15c2-4, and NASD Conduct Rule 2110.

Allen Konrad Meridian Investors LLC ("Meridian Offering") was a \$3.05 million contingency offering for which Alterna Capital served as the placement agent. The offering memorandum for the Meridian Offering provides that investor funds will not be distributed from escrow to the issuer and others unless and until the requisite \$3.05 million has been collected. The offering memorandum does not disclose that an entity controlled by TA, the principal of the placement agent, (or anyone else) would loan money to the Meridian Offering in order to satisfy its \$3.05 million contingency. On December 22, 2005, Allen Konrad Capital Appreciation Investors Ltd. ("CA1 Offering"), acting at the direction of TA, deposited \$1 million into the Meridian Offering escrow account, pursuant to a loan agreement between the two offerings. On the following day, when the requisite \$3.05 million had been wired into the Meridian Offering escrow account, Alterna Capital, acting at the direction of TA, caused the escrow agent to prematurely release the funds from the escrow account. The loan proceeds invested in the Meridian Offering do not constitute a bona fide investment because: (1) the \$1 million loan from the CA1 Offering and the subsequent investment of the loan proceeds were not disclosed to investors in the Meridian Offering; (2) TA, as the manager of the Meridian Offering, arranged the loan and directed the subsequent investment of the loan proceeds; (3) TA was a principal of the placement agent; and (4) the loan proceeds were used to force the close of the Meridian Offering. Therefore, the \$3.05 million contingency had not been met prior to the disbursement of funds from the Meridian Offering escrow account. As a result of the foregoing, Alterna Capital violated Sections 10(b) and 15(c)(2) of the Securities Exchange Act of 1934, SEC Rules 10b-5 and 15c2-4, and NASD Conduct Rule 2110.

Allen Konrad Capital Appreciation Investors III LLC ("CA3 Offering") was a \$7 million contingency offering for which Alterna Capital served as the placement agent. The offering memorandum for the CA3 Offering provides that investor funds will not be distributed from escrow to the issuer and others unless and until the requisite \$7 million has been collected. The offering memorandum does not disclose that a principal of the placement agent would invest in the CA3 Offering in order to satisfy its \$7 million contingency. On March 15, 2006, when only \$500,000 of the requisite \$7 million had been wired into the CA3 Offering escrow account, Alterna Capital, acting at the direction of TA, caused the escrow agent to prematurely disburse funds from the escrow account. By March 17, 2006, investors had wired an additional \$500,000 into the CA3 Offering escrow account. On March 17, 2006, when investors had wired a total of \$1 million of the requisite \$7 million into the CA3 Offering escrow account, Alterna Capital, acting at the direction of TA, caused the escrow agent to prematurely disburse the additional funds from the escrow account. In March 2006, the firm had investors who wanted to participate in the CA3 Offering but who did not currently have funds available to do so. At the direction and inducement of TA, another person with an interest in the success of the offering invested \$250,000 in the CA3 Offering on a temporary, short-term basis in order to close the offering. When all units had been subscribed, Alterna Capital, acting at the direction of TA, caused the escrow agent to prematurely release the remaining funds to the issuer. Because the aforementioned \$250,000 investment made by a person with an interest in the success of the offering was undisclosed and because that investment was made to force the close of the CA3 Offering, and not for investment purposes, it was not a bona fide investment. Therefore, the \$7 million contingency had not been satisfied prior to the disbursement of the remaining funds from the escrow account. As a result of the foregoing, Alterna Capital violated Sections 10(b) and

15(c)(2) of the Securities Exchange Act of 1934, SEC Rules 10b-9 and 15c2-4, and NASD Conduct Rule 2110.

Registration Violation

From November 18, 2006 through February 13, 2007, Alterna Capital did not designate a licensed FINOP or open a window for a designated replacement. As a result of the foregoing, Alterna Capital violated NASD Membership and Registration Rule 1022(c) and NASD Conduct Rule 2110.

OTHER FACTORS

B. Alterna Capital also consents to the imposition of the following sanctions:

A censure and fine of \$48,000.¹

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

Alterna Capital 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

Alterna Capital specifically and voluntarily waives the following rights granted under the Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against it;
- B. To be notified of the Formal 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

¹ Pursuant to the General Principles Applicable to all Sanction Determinations contained in the Sanction Guidelines, FINRA imposed a lower fine in this case after it considered, among other things, the firm's revenues and financial resources. See Notice to Members 06-55.

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, Alterna Capital 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.

Alterna Capital further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of NASD Rule 9143 or the separation of functions prohibitions of NASD 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

Alterna Capital 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 NASD Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
 - 1. This AWC will become part of Alterna Capital's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;
 - 2. This AWC will be made available through FINRA's public disclosure program in response to public inquiries about Alterna Capital's disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-3; and

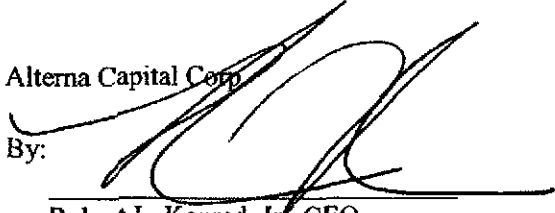
that the AWC is without factual basis. Alterna Capital may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

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

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.

Alterna Capital Corp.

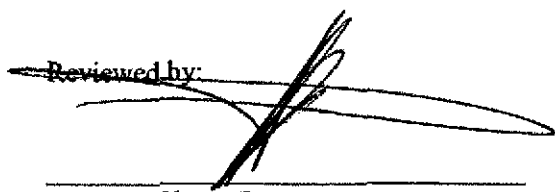
By:


Robert L. Konrad, Jr., CEO

Date

8/7/08

~~Reviewed by:~~


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Counsel for Alterna Capital Corp.

Accepted by FINRA:

9/2/08
Date

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

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