

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2007008031801**

TO: Office of Fraud Detection and Market Intelligence
Financial Industry Regulatory Authority ("FINRA")

RE: Alpine Securities Corporation, Respondent
Broker-Dealer
CRD No. 14952

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Alpine Securities Corporation (the "firm" or "ALPS") 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. The firm 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

The firm became a member of FINRA in 1984, and its registration remains in effect. It has no relevant disciplinary history.

SUMMARY

This matter is the result of the Department of Market Regulation's review of the firm's market making and related activity in the securities of Theatre Xtreme Group, Inc. (TXEG) and Universal Capital Management, Inc. (UCMT) in 2006.

FACTS AND VIOLATIVE CONDUCT

ALPS accepted payment from an issuer for submitting a Form 211 application, publishing quotations, and acting as a market maker (violations of NASD Rules 2460 and 2110)

1. Jonathan C. Peterson ("Peterson") was a firm trader and market maker at ALPS during all times relevant to this matter.
2. Beginning in 2003, Theatre Xtreme Group, Inc. ("TXEG") operated or franchised retail stores selling and installing home theater systems. In its Form 10-K for the year ended June 30, 2006, it reported total revenues of \$4,619,412 and a net operating loss of \$2,127,229. The Form 10-K contained a going-concern clause. As of June 30, 2006, TXEG had 26 full-time employees. As of April 30, 2006, TXEG had outstanding 18,522,342 shares of common stock.
3. Universal Capital Management, Inc. ("UCMT") operated as a business development company under the Investment Company Act of 1940. In its Form 10-K for the year ended April 30, 2006, UCMT said it was engaged in the business of furnishing capital and making available managerial assistance to companies that do have ready access to capital through conventional channels. It reported a net loss on operations of \$96,057 and total net assets of \$2,243,790 for the year ended April 30, 2006.
4. Peterson, on behalf of ALPS, filed Form 211 applications to quote the securities of UCMT and TXEG on the Over-the-Counter Bulletin Board in February 2006 and April 2006, respectively. Peterson prepared the Form 211 for TXEG and signed the application as the person FINRA should contact for additional information regarding the application.
5. FINRA cleared UCMT and TXEG's Form 211 applications on June 15 and June 30, 2006, respectively. ALPS, through Peterson, began entering quotations in UCMT and TXEG on June 30 and July 3, 2006, respectively.
6. No later than on or about July 7, 2006, UCMT's president and TXEG's promoter delivered 100,000 shares of TXEG to a former ALPS principal in certificate form. Peterson and the former ALPS principal transferred 55,000 of the 100,000 shares to Peterson's wife, and the remainder to entities affiliated with his family and ALPS.
7. Neither ALPS nor Peterson provided *bona fide* services, including investment banking services, to UCMT or TXEG, or any another person or entity affiliated with or related to either company. The shares of TXEG constituted consideration to Peterson and ALPS for filing the UCMT and TXEG Form 211 applications, entering quotations, and acting as a market maker in the securities.

8. ALPS, acting through Peterson, was the only market maker entering quotations in TXEG from July 3 through July 31, 2006.
9. On July 10, through his wife's account at ALPS, for which Peterson was the assigned registered representative, Peterson sold 20,200 TXEG shares for total proceeds of \$41,960.
10. On July 13, 2006, Peterson arranged for the sale by another family member's account at ALPS of 11,650 shares of TXEG, at \$2.10 per share, for proceeds of \$24,414.
11. On July 27, 2006, Peterson sold another 2,000 shares of TXEG from his wife's account at \$2.04 per share, for proceeds of \$4,080.
12. Accordingly, ALPS, through a former firm principal, accepted a payment, or other consideration, directly or indirectly from TXEG and UCMT, or an affiliate or promoter thereof, for submitting Form 211 applications in connection with TXEG and UCMT, publishing quotations, and acting as a market maker, in violation of NASD Rules 2460 and 2110.

ALPS, acting through Peterson, entered non-bona fide quotations in TXEG and caused to be reported a non-bona fide transaction in TXEG (violations of NASD Rules 3310, IM-3310, and 2110)

13. ALPS, acting through Peterson, entered non-bona fide quotations in TXEG in July 2006, during which time Peterson sold 24,200 shares of TXEG from his wife's ALPS account for \$46,000, and 11,650 shares of TXEG from another family member's account for \$24,414.
14. On August 1, 2006, Peterson arranged for his wife to transfer an 18,500-share certificate of TXEG to an automobile dealership in exchange for the purchase of a car. To facilitate the auto purchase, Peterson arranged for the dealership to open a securities account at ALPS, on August 1, 2006, for the sole purpose of depositing the 18,500 shares of TXEG and promptly selling them to Peterson or ALPS. The dealership transacted no other trades in any other securities in its ALPS account.
15. On August 1, 2006, ALPS, acting through Peterson, who used an ALPS proprietary trading account, purchased the 18,500 TXEG shares from the dealership's ALPS account, at approximately \$1.95 per share, for a total of \$36,033. On August 11, 2006, ALPS liquidated the account by sending the dealership a check for \$36,033.89.
16. At the time of the trade between ALPS and the dealership, the inside market in TXEG was a bid of \$1.65 and ask of \$1.95. ALPS's bid and ask were \$1.50 and \$1.99 at the time. Eight reported trades, each at \$1.50 per share, immediately preceded the \$1.95 proprietary transaction with the dealership. Over the course of

the 31 subsequent trades in TXEG that day, the share price declined from \$1.70 to a last sale price of \$1.26 per share.

17. ALPS, through Peterson, purposefully selected the \$1.95 TXEG share price for the transaction so that when multiplied by 18,500 shares it would total the purchase price of the vehicle.
18. Accordingly, ALPS, acting through its trader and market maker Peterson, published or circulated, or caused to be published or circulated, a communication reporting a transaction in TXEG without believing that the transaction was a *bona fide* purchase or sale, and quoted the bid price and ask price in TXEG without believing that such quotations represented a bona fide bid for, or offer of, TXEG, in violation of NASD Rules 3310, IM-3310, and 2110.

ALPS failed to record as income the value of various securities of five different issuers it received among its books and records (Violations of SEC Rules 17a-3 and 17a-4 and NASD Rules 2110 and 3110)

19. From 2004 to 2008, ALPS failed to include as revenues or assets among its books and records its receipt of a total of approximately 708,475 shares in the securities of five issuers and 1,352,313 warrants in four issuers. ALPS accordingly failed to accurately make and keep current its ledgers, or other records, reflecting all assets and liabilities, income and expense and capital accounts, in violation of NASD Rules 2110 and 3110 and SEC Rules 17a-3 and 17a-4.

ALPS failed to have in place adequate written supervisory procedures and failed to reasonably supervise Peterson

20. Despite the facts as described above indicating that Peterson had received payment in exchange for filing Forms 211, making markets in two securities, and entering quotations in the securities, no supervisory personnel at ALPS made any effort to reasonably supervise Peterson's activities. No one at ALPS took adequate measures to ensure that Peterson did not receive payment for market making and that he did not enter non-*bona fide* quotations in TXEG or engage in a non-*bona fide* transaction in TXEG. The conduct described in this paragraph constitutes violations of NASD Rules 2110 and 3010.
21. ALPS's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Rules of NASD, concerning NASD Rules 2460, 3310 and, IM-3310. Specifically, the firm's supervisory system did not include written supervisory procedures providing for: (1) the identification of the persons responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory steps to be taken by the identified persons; (3) a statement as to how often such persons should take such steps; and (4) a statement as to how the completion of the steps included in the written supervisory procedures should be

documented. The conduct described in this paragraph constitutes violations of NASD Rules 2110 and 3010.

B. The firm also consents to the imposition of the following sanctions:

A censure, a fine of \$82,500, and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraphs 20 and 21. Within 30 business days of acceptance of this AWC by the National Adjudicatory Council ("NAC"), a registered principal of the Respondent shall submit to the **COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850**, a signed, dated letter, or an e-mail from a work-related account of the registered principal to **MarketRegulationComp@finra.org**, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in paragraphs 20 and 21; and (3) the date the revised procedures were implemented.

The firm agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. The firm has submitted an Election of Payment form showing the method by which it propose to pay the fine imposed.

The firm 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

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

- A. To have a Complaint issued specifying the allegations against the firm;
- 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 NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm 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.

The firm 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

The firm 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 the firm; and
- C. If accepted:
 - 1. this AWC will become part of the firm'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 the firm'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. The firm 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

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

Nov. 14, 2011
Date

By: Robert L. Tuck

Name: ROBERT L TELW

Title: PRESIDENT

Counsel for Respondent

Accepted by FINRA:

11/21/11
Date

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


Cameron K. Funkhouser
Executive Vice President
Office of Fraud Detection and
Market Intelligence