

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2007008031802**

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

RE: Jonathan Clark Peterson, Respondent
CRD No. 4199364

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Jonathan Clark Peterson ("Respondent" or "Peterson"), 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

Peterson was first employed with a member firm in May 2000 when he joined Alpine Securities Corporation (ALPS). He was registered as a general securities representative and trader at ALPS from August 2003 until December 8, 2009, when the firm filed a Form U5 on his behalf. He has not been registered since then. FINRA retains jurisdiction over Respondent pursuant to Article V, Section 4(a) of the By-Laws because the conduct that serves as the basis for this action commenced prior to his termination of registration from a FINRA regulated broker-dealer and this AWC has been filed within two years after the effective date of Respondent's last termination of registration from a FINRA regulated broker-dealer.

FACTS AND VIOLATIVE CONDUCT

Peterson 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. 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. Peterson, on behalf of ALPS, began entering quotations in UCMT and TXEG on June 15 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.
7. Neither Peterson nor ALPS provided *bona fide* services, including investment banking services, to UCMT or TXEG, or to any another person or entity affiliated with or related to either of them. The 100,000 shares of TXEG constituted consideration to Peterson for filing the UCMT and TXEG Form 211 applications, entering quotations, and acting as a market maker in the securities.
8. Peterson and a former ALPS principal directed that 55,000 of the 100,000 shares be given to Peterson's wife, in certificate form, in her maiden name, rather than her married name. The remaining 45,000 shares were delivered to entities affiliated with Peterson's family and persons associated with ALPS.
9. ALPS, acting through Peterson, was the only market maker entering quotations in TXEG from July 3 through July 31, 2006.
10. Peterson began entering quotations in TXEG on July 3, 2006, with a bid and ask of \$0.51 and \$1.25, which he maintained until Friday, July 7, 2006. On July 7, 2006, the day Peterson received the 100,000 TXEG shares, Peterson moved his

bid and ask, first to \$1.00 and \$1.50, and, at the end of the day, to \$2.25 and \$3.00. On July 7, 2006, Peterson accumulated a 37,150-share short position in TXEG in his firm's proprietary trading account after executing 18 short sales in the stock at prices ranging from \$1.26 per share to \$2.95 per share. On July 10, 2006, Peterson's TXEG bid ranged from \$2.00 to \$2.25 and the ask from \$2.70 to \$3.00.

11. The 55,000 shares of TXEG received by Peterson's wife on or about Monday, July 10, 2006, were worth approximately \$113,850, based on TXEG's last reported trade of \$2.07 that day. Through Peterson, Peterson's wife deposited two certificates totaling 35,000 shares into her ALPS account the same day.
12. Also on July 10, 2006, through his wife's account at ALPS, for which Peterson was the assigned registered representative, Peterson sold 20,000 TXEG shares, at \$2.07 per share, and another 200 TXEG shares, at \$2.80 per share, for total proceeds of \$41,960.
13. On July 13, 2006, Peterson arranged for his wife to transfer 11,650 shares of TXEG from her ALPS account to the ALPS account of another family member of Peterson's. The same day, through Peterson, the family member sold the 11,650 shares of TXEG at \$2.09 for proceeds of \$24,414.
14. 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.
15. Accordingly, Peterson 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.

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

16. Peterson entered non-bona fide quotations in TXEG in July 2006, during which time he 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.
17. 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. Peterson agreed with the dealership that he would buy back the shares for an amount that would equal the price he and his wife agreed they would pay for the vehicle.

18. To facilitate the auto purchase, Peterson arranged for the dealership to open a securities account at ALPS. The dealership opened such an account 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.
19. On August 1, 2006, Peterson, using ALPS's 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, Peterson and ALPS liquidated the account by sending the dealership a check for \$36,033.89.
20. 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. Through Peterson, 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 Peterson's \$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.
21. 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.
22. Accordingly, 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 and 2110, and IM-3310.

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

A two-year suspension in all capacities and a \$82,033 fine, which includes disgorgement of \$82,033 representing proceeds from the sales of shares of TXEG and the value of the shares used for the vehicle purchase.

The fine shall be due and payable either immediately upon Respondent's re-association with a member firm following the term of suspension, 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 sanctions 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, Respondent 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

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 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.

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; and
- 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.
- 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 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.

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.

11.4.11
Date

Jonathan Clark Peterson
Jonathan Clark Peterson

Reviewed by:

Irving M. Einhorn

Irving M. Einhorn
Law Offices of Irving M. Einhorn
1710 10th Street
Manhattan Beach, CA 90266
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