

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

\_\_\_\_\_  
IN THE MATTER OF: VIRGIL M. PETERSON )  
\_\_\_\_\_) )  
\_\_\_\_\_)

FILE NO. 0500508

**NOTICE OF HEARING**

**TO THE RESPONDENT:** Virgil M. Peterson  
CRD# 1094640  
1247 Moyle Drive  
Alpine, UT 84003

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 15<sup>th</sup> day of December, 2005 at the hour of 10:00 a.m. or as soon as possible thereafter, before James L. Kopecky, Esq. or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order shall be entered revoking Virgil M. Peterson's ("Peterson" or the "Respondent") registration as a salesperson in the State of Illinois and/or granting such other relief as may be authorized under the Act including but not limited to the imposition of a monetary fine in the maximum amount pursuant to Section 11.E(4) of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

1. That at all relevant times, the Respondent was registered with the Secretary of State as a salesperson in the State of Illinois pursuant to Section 8 of the Act.
2. That on July 13, 2005, the NASD entered a Letter of Acceptance, Waiver and Consent (AWC) submitted by the Respondent Peterson and his firm

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Alpine Securities Corporation ("ALPS") regarding File No. 913330 and imposed the following sanctions on Respondent Peterson:

- a. a 30-business-day suspension from associating in any capacity with any member firm;
  - b. a 60 business day suspension from serving in a principal or supervisory capacity; and
  - c. a \$25,000 fine.
3. That the AWC found:
- a. During 2003, Peterson was ALPS's president and chief compliance officer. Peterson had full responsibility for the firm's anti-money laundering program and written supervisory procedures, including organizing, monitoring, and managing the firm's AML compliance.
  - b. In November and December 2003, Respondent Peterson and ALPS opened accounts at ALPS on behalf of six Chinese nationals, each of whom resided in the People's Republic of China. Promptly after opening their accounts, the Chinese customers purchased a total of 51,000 shares of KUKH, between November 28 and December 18, 2003. To pay for the shares, a total of \$153,750 was wired into the Chinese customers' accounts during December 2003. Respondent Peterson and ALPS failed to properly identify and verify the customers, pursuant to the firm's written AML procedures. The conduct constitutes separate and distinct violations of Conduct Rules 2110, 3010, and 3011.
  - c. The Chinese customers did not place the purchase orders for KUKH themselves; instead, Edward Wang, a purported representative of the customers, placed the buy orders with Peterson and ALPS. Respondent Peterson and ALPS executed Wang's orders without receiving prior written authorization from the six Chinese customers. This conduct constitutes separate and distinct violations of Conduct Rules 2110, 2510(b), and 3110(c)(3).
  - d. Respondent Peterson and ALPS filled the Chinese customers' buy orders for KUKH from other ALPS customers who already possessed shares of KUKH. Respondent Peterson and ALPS solicited ALPS customers to sell their shares to the Chinese customers. Respondent Peterson and ALPS inaccurately

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marked approximately 37 order tickets for the selling shareholders of KUKH as “unsolicited” instead of “solicited.” This conduct constitutes separate and distinct violations of SEC Rule 17a-3 and NASD Conduct Rule 3110.

- e. As ALPS’s president and chief compliance officer, Peterson was responsible for establishing and maintaining an adequate and reasonable supervisory system. The firm’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: books and records, anti-money laundering, and discretionary trading authority. The firm’s supervisory system also failed to provide for adequate and reasonable supervision of Respondent Peterson. The firm’s supervisory system did not include written supervisory procedures providing for (1) identification of the person(s) responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory step(s) to be taken by the identified person(s); (3) a statement as to how often such person(s) should take such step(s); and (4) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented. This conduct constitutes separate and distinct violations by ALPS and Peterson of NASD Conduct Rules 2110 and 3010(a).
  - f. ALPS and Peterson failed to enforce the firm’s written supervisory procedures relating to making and keeping current books and records, exercising discretionary power in customer’s accounts without customers providing prior written authorization to a stated individual, and complying with anti-money laundering laws. The conduct constitutes separate and distinct violations of NASD Conduct Rules 2110 and 3110(b).
4. That Section 8.E(1)(j) of the Act provides, inter alia, that the registration of a salesperson may be suspended or revoked if the Secretary of State finds that such salesperson has been suspended by any self-regulatory organization registered under the Federal 1934 Act or the Federal 1974 Act arising from any fraudulent or deceptive act or a practice in violation of any rule, regulation or standard duly promulgated by the self-regulatory organization.
  5. That NASD is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.

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6. That by virtue of the foregoing, the Respondent's registration as a salesperson in the State of Illinois is subject to suspension or revocation pursuant to Section 8.E(1)(j) of the Act.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130)(the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this Notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

A copy of the Rules, promulgated under the Act and pertaining to hearings held by the Office of the Secretary of State, Securities Department is included with this Notice.

Delivery of Notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This 4<sup>th</sup> day of November, 2005

  
JESSE WHITE  
Secretary of State  
State of Illinois

Attorney for the Secretary of State:

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Illinois Securities Department  
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312-793-3384

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Hearing Officer:  
James L. Kopecky  
321 North Clark Street  
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Chicago, IL 60610  
Telephone: (312) 527-3966