

STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:)	
)	
AURA FINANCIAL SERVICES)	ADMINISTRATIVE ORDER
TIMOTHY M. GAUTNEY)	NO. SC-2005-0042A
LOYD GILFORD KING)	
JOHN WESLEY WOODRUFF, JR.)	
)	
<u>RESPONDENTS</u>)	

AMENDED SHOW CAUSE ORDER

The Alabama Securities Commission ("Commission"), having the authority to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act ("Act"), upon due consideration of the subject matter hereof, has determined as follows.

RESPONDENTS

1. AURA FINANCIAL SERVICES ("AURA") has been registered in the State of Alabama, as a Broker-Dealer since April 30, 1997 (Central Record Depository ("CRD") # 42822) and an investment adviser since March 4, 2002 with a business address of 181 West Valley Avenue, Suite 107, Birmingham, AL 35209.
2. TIMOTHY M. GAUTNEY ("GAUTNEY") (CRD # 2552149) is the founder and direct owner (75%+ ownership) of AURA. He has been an Alabama registered agent of AURA since May 7, 1997 and an investment adviser representative with AURA since March 18, 2004. CRD indicates that GAUTNEY has the following exams: S4- Options, S7- Rep, S24- General Securities Principal, S27- FINOP, S55- Equity trader, S63- Agent, and S65- Investment Adviser. GAUTNEY serves as the onsite General Securities Principal, primary Options Principal, and is the Chief Operation Officer.
3. LOYD GILFORD KING ("KING") (CRD # 2892687) is the corporate treasurer and owns less than 5% of AURA. CRD indicates that KING has the following exams: S27- FINOP and S63- Agent.
4. JOHN WESLEY WOODRUFF, JR. ("WOODRUFF") (CRD # 2625285) is the Chief Compliance Officer and owns less than 5% of AURA. CRD indicates WOODRUFF has the following exams: S4- Options, S7- Rep, S-8- General Securities Sales Supervisor, S24- General Securities Principal, S53- Municipal Securities Principal, and S63- Agent.

March 2003 Audit

FINDINGS

5. During the period of March 4, 2003 through March 6, 2003, an examination of the books and records of the home office of AURA was conducted by the Alabama Securities Commission staff ("Staff") under the authority of the Code of Alabama 1975, 8-6-3(i).
- A. Upon arrival at the home office of AURA, the Staff served upon GAUTNEY:
- (i) a request for records to which access should be immediately provided; and
 - (ii) a request for copies of records to be immediately provided
- B. The following requested items were either not provided or not provided in a timely manner:
- (i) The Staff requested immediate access to the financial records of AURA. The 2002 financial records were not on site and were not provided until the third day of the audit.
 - (ii) Minutes for all of the Board of Directors' meetings were not provided to the Staff.
 - (iii) AURA employees' personal securities transaction records were not provided.
 - (iv) AURA could not produce the required records for the investment advisers of the firm.
- C. AURA did not maintain individual personal correspondence files for each registered representative containing the requisite copies of all relevant sales correspondence, initiated by AURA or its representatives, as was required in AURA's 2003 written supervisory manual ("WSP").
- D. AURA's 2003 WSP requires that all incoming and outgoing written and electronic correspondence from or to its registered representatives be reviewed daily by a registered principal. AURA's home office did not maintain e-mail for offices other than the home office and did not maintain any written correspondence for the branch or field offices¹.
- E. AURA had ninety-three (93) registered "independent representatives," as described by AURA, operating in a forty-three (43) states with four (4) Office of Supervisory Jurisdiction ("OSJ") branch offices and sixty-four (64) field offices. At the time of the March 2003 audit, AURA had one

¹ For the purposes of this order, the terms unsupervised office, unregistered office, and field office are synonymous.

(1) branch manager and supervising principal under special supervision due to 17 different disclosure issues.

F. During the March 2003 audit, GAUTNEY represented that the field offices and the registered representatives operate on the "honor system" which was not clearly defined by GAUTNEY nor AURA's WSP.

G. As noted during the March 2003 audit, AURA hired 6 agents with 10 CRD disclosure items or more and one agent with a pending felony for Assault 1st degree.

H. GAUTNEY represented that AURA does not recognize or document verbal complaints and does not keep a permanent record of any complaint that the firm considers unfounded. The only complaints in the complaint file were those filed with the NASD².

I. AURA's Supervisory Procedures Manual states that field offices "will be reviewed bi-annually" and "all branch offices will be reviewed at least annually." Five (5) internal audits were conducted in 2002, and as of March 2003, no audit had been conducted for 2003.

J. At the time of the March 2003 audit, AURA had only one options supervisor, GAUTNEY, for the ninety-three (93) AURA representatives. When GAUTNEY was not at work, there was no supervision for option trading.

K. At the time of the March 2003 audit, two complaints had been filed with the NASD against AURA agents involving the trading of options. As of the date of the Show Cause Order CRD records indicated these complaints were still unresolved.

L. A sampling of 40 customer files revealed numerous customer files that were deficient in one or more of the following:

- (i) did not contain a new client account form;
- (ii) the new client forms were not executed with the necessary client signatures and/or did not include complete client information; or
- (iii) the new client form did not contain adequate information to clearly determine investor suitability for the trading activity conducted in the account.

² NASD was the National Association of Securities Dealers and was merged with the New York Stock Exchange to form FINRA (Financial Industry Regulatory Authority). For the purposes of this Order the terms NASD and FINRA are used interchangeably.

M. Erik and Joseph Matz, (CRD #'s 2715303 and 2864237, respectively) were each registered AURA representatives from October 4, 2002 to September 18, 2006, had criminal records at the time they were hired by AURA. The firm failed to maintain written pre-employment records as it relates to records of any arrest, indictments or convictions for felony or any misdemeanor of which such associated person has been the subject concerning these two registered representatives. A review of CRD records of Erik and Joseph Matz revealed that at the time of Joseph Matz's employment, the state of New York had indicted him for felony Assault 1st degree, and at the time of employment, Erik Matz had a Class A Misdemeanor conviction for Battery.

February 2005 audit

FINDINGS

6. During the time period of February 14 through February 18, 2005, an examination of the books and records of the home office of AURA was conducted by the Staff under the authority of the Code of Alabama, 1975, 8-6-3(i).

A. Upon arrival at the home office of AURA, the Staff served upon GAUTNEY:

- (i) a request for records to which access should be immediately provided; and
- (ii) a request for copies of records to be immediately provided.

B. At the time of the February 2005 audit, AURA had four (4) OSJ offices and sixty-two (62) unregistered offices throughout the country.

C. At the time of the February 2005 audit, AURA's WSP stated:

"The President, or designated principal, will conduct an examination, on at least an annual basis, of each Office of Supervisory Jurisdiction (including Main Office) and branch office in accordance with the schedule attached hereto. This inspection will consist of a review of current procedures plus a review of the sales literature and general correspondence files, customer files and accounts, commission files, and any other applicable records to ensure compliance with all rules of SEC, NASD, applicable State laws, and company policies and procedures."

D. Furthermore the WSP stated:

"All branch offices will be reviewed at least annually. Unsupervised offices will be reviewed bi-annually. A written record of such review and inspection will be maintained in the main office."

E. The firm conducted 8 internal audits, 6 branch/unregistered offices and 2 OSJ audits during calendar year 2003.

F. The firm conducted 13 internal audits, 10 branch/unregistered offices and 3 OSJ audits during calendar year 2004.

G. The firm conducted no internal audits from January 1, 2005 to February 18, 2005.

H. As of the date of the February 2005 audit, the home office had never been through an internal inspection as required by the WSP.

I. AURA's 2004 WSP stated:

“Rule 3010 (c) includes the requirement that AURA Financial Services, Inc.: ‘review and endorse in writing, on an internal record, all transactions and all correspondence of its registered representatives pertaining to the solicitation or execution of any securities transaction.’ This requirement applies equally in the case of off-site representatives. AURA Financial Services, Inc. will remind off-site personnel which engage in non-securities business that some individuals that correspondence pertaining to such business, unless submitted for review, may not include material related to securities transactions.”

J. Mr. Burt Linthicum, Chief Compliance Officer for AURA from July 2003 to March 2005, stated that there isn't a correspondence file for the firm, and correspondence may be scattered in several files. Ms. Jane Cauble, compliance specialist employed by AURA, stated that they receive very little correspondence from the field offices for review or approval. The firm did produce a file folder which contained form letters approved by the firm.

K. In an examination conducted by the Nevada Securities Division at the 82 Yesterday Drive, Henderson, Nevada office of AURA, correspondence was found but none of the outgoing correspondence had been initialed by a principal.

L. AURA provided a list of twenty-seven (27) complaints on the first day of the audit. Ms. Cauble stated that the list was not complete. AURA could only produce twenty-five (25) complaint files during the audit. A number of complaints included on the list had not been reported on the CRD.

M. Of the complaint files that AURA was able to locate, only two (2) showed any independent review by the compliance officer. The files were incomplete and did not meet the standards outlined in the firm's WSP.

N. AURA's 2004 WSP did not address the heightened supervision procedures or guidelines relating to the supervision of their agents nor was there any indication that any such standards were implemented as required by NASD Conduct Rule 3010(a).

O. In the March 2003 audit, examiners found one (1) registered representative to have a felony indictment for assault. During the February 2005 audit, examiners asked AURA for documentation relating to the outcome of the case. AURA's management stated they did not know the outcome, and the registered representative would not provide AURA a written update.

P. AURA's 2004 audited financials listed \$36,044.95 as "postage" under operating expenses. AURA's 2004 audited financials also listed a line item for "Postage Reimbursement" as Other Income in the amount of \$433,742.14. The expense entry for postage represented AURA's actual expense for Fed Ex and general postage. Postage reimbursement represented AURA's fee to its clients for the distributions of confirmations, monthly statements and other documents. At the time of the February 2005 audit, AURA's fee schedule and new customer account form did not contain disclosure relating to fees charged for the postage reimbursement nor was any other document identified in the course of the audit which provided such disclosure. The postage reimbursement amount was included in the calculation of commissions as displayed on the confirmations that are sent to clients.

April 2005 West Palm Beach Audit

FINDINGS

7. On April 25, 2005, Staff examiners and Scott Pays, an examiner from the NASD District Office in New Orleans, began an OSJ branch office audit of AURA's West Palm Beach, Florida branch located at 120 South Olive Street pursuant to the Code of Alabama, 1975, 8-6-3(i).

A. Niyukt R. Bhasin, CRD # 2282048, was the branch manager of the West Palm Beach office from January 2003 until March 17, 2005. He was terminated because the firm received information from the NASD regarding "false allegations made to the NASD" (as cited on the CRD), failure to provide the firm with written notice of intent to form his own broker dealer, and numerous customer complaints filed against brokers under his supervision.

B. As of April 2005 audit, Aditya Saraogi, CRD # 4439734, had been the branch manager since March 17, 2005.

C. The branch manager and staff could not provide required OSJ branch office documents that were created prior to March 17, 2005.

D. Neither the branch manager nor the agents were provided a copy of the WSP or procedure manual by the firm.

June 2005 West Palm Beach Audit

FINDINGS

8. On June 22, 2005, an examiner from the Staff and an examiner from the NASD Branch office in New Orleans began an OSJ branch office audit of AURA's West Palm Beach, Florida branch located at 120 South Olive Street under the authority of the Code of Alabama 1975, Section 8-6-3(i). The review covered two time periods:

- (i) documents maintained by the branch prior to March 17, 2005; and
- (ii) documents maintained by the branch since March 17, 2005.

A. The examiners reviewed approximately 1,200 items of correspondence dated prior to March 17, 2005. None of these items, identified as correspondence, were signed or initialed by a principal, and there was no evidence of principal review. AURA's 2004 and 2005 WSP stated: "All securities transactions and correspondence dealing with the solicitation of securities transactions with clients will be reviewed and approved by a designated person."

B. Mr. Linthicum, disclosed to the examiners that the West Palm Beach branch agents had nine (9) complaints filed against them prior to March 17, 2005. The OSJ branch complaint files were not properly maintained, and the branch manager failed to provide complaint files and associated correspondence when requested by the examiners.

C. Prior to March 17, 2005, the OSJ branch office did not maintain the compliance, supervisory and operational manuals for the previous three years.

D. Prior to March 17, 2005, the OSJ branch office failed to maintain an accurate checks received blotter and securities received blotter.

E. Niyukt R. Bhasin, former OSJ branch manager and Aditya Saraogi, the OSJ branch manager at the time of the June 2005 audit, stated Mr. Linthicum spent approximately one hour

conducting the December 2004 internal audit. Mr. Bhasin stated that Mr. Linthicum did not look at any customer files. Further, Mr. Bhasin stated Linthicum failed to hold an annual compliance meeting during the December 2004 internal audit.

F. Prior to March 17, 2005, the OSJ branch office failed to maintain employee files.

G. Prior to March 17, 2005, the OSJ branch office failed to maintain trade error records.

H. AURA and the OSJ branch office failed to provide to its customers a "plain English" definition of the customer's investment objectives. The New Client forms refer the client to page three (3) of the form. Mr. Saraogi stated that they did not have that page and they have never given out the definitions. He also tried to access the definition page on the firm's website in the presence of the Staff auditors but it was not available.

I. Since March 17, 2005, the OSJ branch office manager failed to evidence review by initial or signature at least three (3) items designated as correspondence.

J. Since March 17, 2005, the OSJ branch office failed to maintain monthly checks received blotters. The checks received file contained five (5) checks dated during this time period that were not properly cataloged.

K. Since March 17, 2005, the OSJ branch office failed to identify a records management person as required by SEC Rule 17a-3(a)(21).

L. Since March 17, 2005, the OSJ branch office failed to maintain the proper employee file documentation for agent Rohit Khemka. The file folder designated for this agent was empty.

M. Since March 17, 2005, the OSJ branch office did not maintain the previous three (3) compliance, supervisory and operational manuals as is required by SEC Rule 17a-4(e)(7).

N. Since March 17, 2005, the OSJ branch office failed to maintain complaint files. Prior to the designation of Mr. Saraogi as branch manager there were at least nine (9) customer complaints with no relevant complaint files maintained as required.

April 2007 Home Office Audit

FINDINGS

9. During the time period of April 23 through April 27, 2007, an examination of the books and records of the home office of AURA was conducted by the Staff under the authority of the Code of Alabama, 1975, 8-6-3(i). Part of the findings from this audit included:

A. During the client file review fifty (50) client accounts had turnover ratios ranging from 7.58 to 36.96 and commissions/average equity ratios over the 12 months prior to the audit ranging from 21.05% to 86.46%. Further, there were 50 client accounts that had total commissions paid ranging from \$6,008 to \$156,222 over the previous 12 months.

B. Four AURA reps (Larry Boyer, Jeffrey Donner, John Gloster, and Robert Gudino) all engaged in outside business activity with no evidence of the firm's written approval. Conducting outside business activity without written approval from the firm is a violation of AURA's WSP number 3050000 as well as §8-6-3(j)(10) Code of Alabama, 1975 and Commission Rule 830-X-3-.13(1) which require diligent supervision of associated persons.

C. AURA failed to update the disciplinary disclosure section of CRD for former AURA rep Robert Gudino regarding his Commodities Futures Trading Commission ("CFTC") 2003 sanction for fraudulent marketing of a commodity futures trading method.

D. A random sample of 30 client files were pulled and evaluated for completeness and suitability. Of the selected files 70% (or 21 of the 30) had one or more of the following problems:

- (i) 3 cases where the investment objective was not marked;
- (ii) 11 cases where the client's liquid net worth was not provided;
- (iii) 2 cases where the client's signature was missing from the contract;
- (iv) 3 cases where the Rep's signature was missing from the contract; and
- (v) 2 cases where the second page of the application was not found.

Recent FINDINGS

10. In a recently filed complaint against AURA and former AURA rep, Michael Dembin (CRD # 1874815), allegations consisted of unauthorized trading in a non-discretionary account during August and September of 2007, with two trades taking place after the death of the custodian. In response to the complainant's inquiry, WOODRUFF stated an internal investigation had been conducted and no violations of securities practices were noted. When Staff interviewed WOODRUFF on June 4, 2009 regarding this complaint, WOODRUFF reiterated no improper action had taken place and there

was no documentation of the trading in this account other than confirmations of the trades and account statements. Although Dembin had a customer complaint with his previous employer alleging unauthorized trading, Aura failed to place Dembin on any type of heightened supervision, or monitor his trading activity. As in the AURA complaint, Dembin resigned from his previous employer when questioned about unauthorized trading in his client accounts. While the complainant has asserted unauthorized trading, the Commission would include failure to supervise as well. Even though no exculpatory evidence was produced as a result of AURA's investigation into the complaint, WOODRUFF stated to the complainant that the investigation revealed no sales practice violations. WOODRUFF also stated that AURA's investigation could not be completed because Dembin resigned and took client documents from the office.

CONCLUSIONS OF LAW

1. Pursuant to **Section 8-6-3(j)(10), Code of Alabama, 1975**, The Commission may by order deny, suspend or revoke any registration, or censor or bar any registrant or any officer, director, partner or person occupying a similar status or performing similar functions for a registrant, from employment with a dealer or investment adviser, or restrict or limit a registrant as to any function or activity of the business for which registration is required in this state if the Commission finds that the order is in the public interest and that the registrant or, in the case of a dealer or investment adviser, any partner, officer or director, any person directly or indirectly controlling the dealer or investment adviser has failed reasonably to supervise his agents or employees if he is a dealer, or his investment adviser representatives or employees if he is an investment adviser to assure their compliance with the Act. Commission Rule 830-X-3-.13 enumerates the supervisory responsibilities of Broker-Dealers and Investment Advisors. The following citations of supervisory rule violations demonstrate RESPONDENTS violation of their supervisory responsibilities under the Act:

a. **Commission Rule 830-X-3-.13(1)** provides that, "Every dealer, issuer or investment adviser, and officers, directors and partners thereof, shall exercise diligent supervision over all the securities activities of its associated persons."

i. GAUTNEY stated that the representatives operated on the "honor system" and no documents were produced demonstrating direct supervision of the investment advisor representatives in the field offices by the home office.

ii. GAUTNEY supervises the investment adviser operation. Not all records for the investment adviser representatives are kept in the home office, but GAUTNEY represented that they are maintained in the investment adviser field offices. Furthermore, the investment adviser suitability questionnaires did not contain important client

financial information necessary in determining suitability. GAUTNEY had initialed all the questionnaires, while not being able to produce any documentation demonstrating any supervision over the process. Additionally, when asked to produce certain investment adviser client files, the firm representative stated they did not have them.

iii. The firm failed to place at least one of its employees, whose CRD record contained certain regulatory actions, on heightened supervision as required under the guidelines of its 2005 WSP and allowed that individual, to serve as a branch manager.

b. **Commission Rule 830-X-3-.13(3)** provides that, "As part of its responsibility under this rule, every dealer, issuer or investment adviser shall establish, maintain and enforce written procedures, a copy of which shall be kept in each business office, which shall set forth the procedures adopted by the dealer, issuer or investment adviser to comply with the following duties imposed by this rule, and shall state at which business office or offices the dealer, issuer or investment adviser keeps and maintains the records required by Rules 830-X-3-.14 and 830-X-3-.16, as appropriate." AURA failed to establish and enforce adequate written policies and procedures and failed to address the location, maintenance and storage of the firm's books and records (Sales blotters, ledgers, journals, books of original entry, etc.). AURA's branch records for the West Palm Beach branch office were not in the custody of the firm and were not provided upon request.

c. **Commission Rule 830-X-3-.13(3)(b)** provides that, as part of its responsibility under the rule, every dealer, issuer or investment adviser shall establish, maintain and enforce written procedures relating to the frequent examination of all customer accounts to detect and prevent irregularities or abuses. AURA failed to execute procedures for the frequent review of customer accounts. AURA failed to perform annual Branch office inspections and the bi-annual independent representative office inspections as required pursuant to the AURA supervisory manual.

d. **Commission Rule 830-X-3-.13(3)(c)** provides that, as part of its responsibility under the rule, every dealer, issuer or investment adviser shall establish, maintain and enforce written procedures relating to the prompt review and written approval by the designated supervisor of all securities transactions by associated persons and all correspondence pertaining to the solicitation or execution of all securities transactions by associated persons. According to the supervisory manual, all incoming and outgoing written and electronic correspondence of its registered representatives must be reviewed daily upon receipt by a

registered principal. The firm does not maintain or review written communications and email of the branch or field offices. No evidence was found to confirm the required daily review of correspondence by a registered principal. AURA failed to maintain copies all communications. Failure to review and approve these documents also violates SEC Rule 17a-4.

e. **Commission Rule 830-X-3-.13(3)(e)** provides that, as part of its responsibility under the rule, every dealer, issuer or investment adviser shall establish, maintain and enforce written procedures relating to the prompt review and written approval of the handling of all customer complaints. GAUTNEY stated that AURA does not document or recognize verbal complaints against the firm or its registered representatives. AURA failed to conduct independent review or investigation of customer complaints instead depending on the registered representative to give the basis for the denial of a claim. The files were incomplete and did not meet the standards outlined in the firm's WSP.

f. **Commission Rule 830-X-3-.13(4)(b)** provides that, as part of its responsibility under the rule, every dealer, issuer or investment adviser shall designate from among his partners, officers, directors or other qualified associated persons, a person who shall periodically inspect each business office of the dealer, issuer or investment adviser to ensure that the 'written procedures are enforced. AURA has failed to perform annual Branch office inspections and the bi-annual independent representative office inspections as required pursuant to the AURA supervisory manual.

2. Pursuant to **Section 8-6-3(i), Code of Alabama 1975**, every registered dealer and investment adviser shall make and keep such accounts and other records as the Commission by rule prescribes. All the records of any registrant are subject at any time or from time to time to such reasonable periodic, special, or other examinations by representatives of the Commission as the Commission deems necessary or appropriate in the public interest or for the protection of investors. The following citations of required records rule violations demonstrate RESPONDENTS violation of their record keeping responsibilities under the Act:

a. **Commission Rule 830-X-3-.14(1)(l)(8)** provides that every dealer registered in this state, except as otherwise provided by this rule, shall make and keep current books and records relating to its business including an application for employment executed by each associated person of such dealer, which application shall be approved in writing by an authorized representative of such dealer and shall contain a record of any "arrests, indictments or

convictions for felony or any misdemeanor, except minor traffic offenses, of which such associated person has been the subject.” AURA failed to maintain the required employment and disclosure review records relating to the criminal records of registered representatives Erik and Joseph Matz. The branch offices failed to maintain employee files.

b. **Commission Rule 830-X-3-.14(1)** provides that every dealer registered in this state, except as otherwise provided by this rule, shall make and keep current books and records relating to its business including:

i. (a) Blotters containing an itemized daily record of all purchases and sales of securities, all receipts and deliveries of securities, all receipts and disbursements of cash and all other debits and credits. The OSJ branch office failed maintain a securities blotter. Failure to maintain a securities blotter also violates SEC Rule 17a-(3)(a)(1). The OSJ branch office failed to maintain a checks received blotter. Failure to maintain a checks received blotter also violates SEC Rule 17a-(3)(a)(1).

ii. (d)(5) ledgers reflecting securities failed to receive and failed to deliver. The OSJ branch office failed to maintain the trade error records. Failure to maintain trade error records is also a violation of SEC Rule 17a-(3)(a)(1).

iii. (f) memoranda of each brokerage order including all instructions and conditions with all pertinent information relating to the execution of said transaction. The OSJ branch office failed to maintain the trade error records. Failure to maintain trade error records is also a violation of SEC Rule 17a-(3)(a)(1).

c. **Commission Rule 830-X-3-.14(6)** provides that all records required to be kept shall be in such form as may conveniently be examined by the Commission or its Staff without the necessity or employing mechanical methods of reproduction or inspection. Financials for fiscal year 2002 were not provided timely. Not all bills and statements were provided or kept on premises. Employees’ personal securities transactions records were not provided. Minutes of all Board of Directors meetings were not provided.

d. **Commission Rule 830-X-3-.15(c)** provides that every registered dealer shall preserve all originals of all communications received and copies of all communications sent by such dealer relating to the business of the dealer. According to the supervisory manual, all incoming and outgoing written and electronic correspondence of its registered representatives must be reviewed daily upon receipt by a registered principal. The firm does not maintain or review written communications and email of the branch or field offices. No evidence was found

to confirm the required daily review of correspondence by a registered principal. AURA failed to maintain copies all communications.

e. **Commission Rule 830-X-3-.16(1)** provides that every investment adviser registered or required to be registered under the Act shall make and keep current certain books, ledgers and records. AURA failed to maintain or provide for review, any of the items outlined in this rule for its registered investment adviser representatives.

3. **Section 8-6-3(j)(7), Code of Alabama 1975**, states the Commission may by order suspend or revoke any registration, or censor or bar a registrant or any officer, director, partner, or person occupying a similar status or performing similar functions for a registrant, from employment with a dealer or investment adviser, or restrict or limit a registrant as to any function or activity of the business for which registration is required in this state if the Commission finds that the order is in the public interest and that the registrant or, in the case of a dealer or investment adviser, any partner, officer or director, or any person occupying a similar status or performing a similar function, or any person directly or indirectly controlling the dealer or investment adviser has engaged in dishonest and unethical practices in the securities business. AURA failed to adequately disclose the postage reimbursement fee to its clients. The fee does not appear on the AURA fee schedule and is not disclosed on the new client account form. AURA performs no independent review of customer complaints and summarily dismisses complaints based solely on the representations of the agent or representative. These actions do not comply with Commission rules, industry standards and constitute dishonest and unethical practices in the Securities Business.

4. **Section 8-6-3(j)(2), Code of Alabama 1975**, states the Commission may by order suspend or revoke any registration, or censor or bar a registrant or any officer, director, partner, or person occupying a similar status or performing similar functions for a registrant, from employment with a dealer or investment adviser, or restrict or limit a registrant as to any function or activity of the business for which registration is required in this state if the Commission finds that the order is in the public interest and that the registrant or, in the case of a dealer or investment adviser, any partner, officer or director, or any person occupying a similar status or performing a similar function, or any person directly or indirectly controlling the dealer or investment adviser has willfully violated or willfully failed to comply with any provisions of the Act, or any rule or order issued under the Act. AURA, while subject to an Order to Show Cause why their registration should not be revoked, has failed to adequately resolve issues concerning supervision and books and record keeping requirements. Additionally, after being put on notice concerning numerous Commission rule violations, audits

conducted by the Commission staff still indicate compliance issues as enumerated above. Failure to resolve rule violations after adequate notice constitutes a willful non-compliance of Commission rules and the Act.

5. The Commission may by order suspend or revoke any registration, or censor or bar a registrant in this State if the Commission finds that the order is in the public interest and that the registrant or, in the case of a dealer, any partner, officer or director, or any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the dealer, has failed reasonably to supervise his agents or employees, Code of Alabama 1975, Section 8-6-3(j)(10). Numerous agents employed by AURA are the subject of substantial disciplinary history. While AURA's WSP requires heightened supervision, the firm has not implemented such supervision and in one case allowed an agent, subject to such supervision, to be a branch office manager. AURA's "Honor System" fails to provide any supervisory structure and it is probable that their clients, which include Alabama residents, will be subjected to dishonest and unethical business practices, and receive inadequate continuity in brokerage services not meeting the standards required by this State. RESPONDENT has failed to adequately supervise its employees by failing to conscientiously review the disciplinary and employment history of those agents for whom applications for registration in this State have been submitted.

6. **Commission Rule 830-X-3-.02(3)**, states:

"Whenever the information contained in an agent's U-4 becomes inaccurate or incomplete for any reason, it is the responsibility of the dealer to correct such information by the filing of an amendment on Form U-4 within 30 days with the Central Registration Depository, or its successor."

AURA violated this Commission Rule by failing to update a rep's Form U-4 record on CRD following a sanction by the CFTC regarding fraudulent marketing of a commodities futures trading method.

This Order is appropriate in the public interest for the protection of investors and consistent with the purposes of the Act.

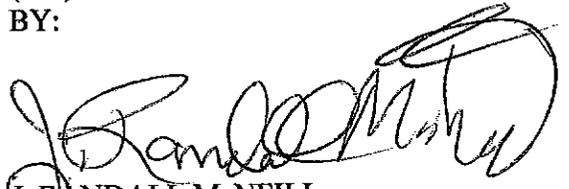
This Order does not prevent the Commission from seeking such other civil or criminal remedies that may be available to it under the Act.

ACCORDINGLY, IT IS HEREBY ORDERED that RESPONDENTS SHOW CAUSE to the Commission within 28 days of the date of this Order, why RESPONDENTS registration as Broker-Dealer and agent in the State of Alabama should not be suspended or revoked.

Entered at Montgomery, AL, this 11th day of June, 2009.



ALABAMA SECURITIES COMMISSION
770 Washington Avenue, Suite 570
Montgomery, AL 36130-4700
(334) 242-2984
BY:


J. RANDALL McNEILL
Deputy Director