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SEC AND ASC CHARGE ALABAMA BROKER-DEALER FOR RAMPANT CHURNING AND EXTENSIVE SUPERVISORY VIOLATIONS

Washington, D.C., June 12, 2009 – The Securities and Exchange Commission and the Alabama Securities Commission (ASC) have charged a Birmingham, Ala.-based broker-dealer in connection with rampant churning of customer accounts, widespread supervisory failures, and other securities violations that resulted in significant harm to clients and substantial profit to the firm. Also charged by the SEC and ASC were several of the firm's senior officers and registered representatives. Churning is a fraudulent practice that occurs when a broker engages in excessive trading without regard to the customer's investment objectives for the purpose of generating commissions and other revenue.

The SEC alleges that Aura Financial Services, Inc., and six registered representatives used fraudulent sales practices and high-pressure sales tactics to convince customers to open and invest money in Aura brokerage accounts, which the brokers subsequently churned. Aura and the brokers enriched themselves with approximately $1 million in commissions and other fees paid by the customers while largely depleting the customers' account balances through trading losses and excessive transaction costs.

The ASC issued an amended order to show cause against Aura and three of its senior officers, based upon the findings of several ASC audits. The order alleges that Aura and the three managers violated their supervisory and compliance responsibilities under the Alabama securities laws. Despite the fact that many of the firm's representatives had criminal or disciplinary backgrounds and multiple prior customer complaints, Aura and the three managers failed to adopt appropriate procedures, failed to enforce rules, failed to conduct branch office inspections, and failed to maintain files of and follow up on customer complaints.

"Aura and the six brokers treated the accounts of certain customers as their personal gravy train," said Katherine S. Addleman, Director of the SEC's Atlanta Regional Office. "These six brokers bought and sold securities in these accounts solely to generate

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commissions for themselves, with a total disregard for their customers' investment goals. Despite numerous red flags, Aura allowed the improper churning to continue in order to profit from a share of the commissions, markups and other fees."

Joseph P Borg, Director of the ASC, said, "Aura and its senior management wholly and continually abandoned their responsibility to supervise the sales force and left investors in the cold, thus endangering their life savings. The actions filed today by the ASC and SEC demonstrate the best collaborative efforts of the two agencies to use all the tools available, at the state and federal levels, to stop investor harm and discipline those brokers who engage in or allow fraud."

In addition to alleging the supervisory failures, the ASC also cited Aura with unauthorized trading by a former representative which included trading after the death of the trustee. The ASC order finds that the firm's representatives operated under the "honor system" and documentation evidencing active oversight was lacking. The ASC also asserts Aura failed to perform independent review of customer complaints and summarily dismissed certain complaints based solely on the representations of their agent or representative.

The amended order requires Aura, within 28 days, to show cause to the ASC why its registration as a broker-dealer and agent in the State of Alabama should not be suspended or revoked. The named supervisors in ASC's order are Timothy M. Gautney, Aura's founder and Chief Operation Officer; Loyd Gilford King, Aura's Corporate Treasurer; and John Wesley Woodruff, Jr., Aura's Chief Compliance Officer. Gautney and Woodruff are residents of Birmingham, Ala. and King resides in Sheffield, Ala.

The SEC's complaint, filed in U.S. District Court for the Southern District of Florida, charges six current and former Aura registered representatives located in branch offices in Florida and New York: Qais R. Bhavnagari of Sunny Isles, Fla.; Peter C. Dunne of Medford, N.Y.; Ronald E. Hardy, Jr. of Port Jefferson Station, N.Y.; Dipin Malla of West Palm Beach, Fla.; Raymond Rapaglia of Pembroke Pines, Fla.; and Sandeep Singh of West Palm Beach, Fla. The SEC alleges that the scheme began in approximately 2005. Although some of the misconduct stopped when two of the registered representatives left Aura in August 2008, the scheme continued through at least April 2009.

The SEC is seeking preliminary injunctions against Aura and Bhavnagari, Malla, Singh, and Hardy (four of the six brokers still associated with Aura) for violations of the antifraud provisions of the federal securities laws, and has requested the Court order an expedited discovery period and schedule a hearing within 30 days. The SEC also is seeking court orders permanently prohibiting all the defendants from engaging in future violations of the antifraud provisions of the federal securities laws and requiring them to disgorge their ill-gotten gains and pay financial penalties.

The SEC's and ASC's investigations are continuing.

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