

STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:)
)
AURA FINANCIAL SERVICES) ADMINISTRATIVE ORDER
TIMOTHY M. GAUTNEY) NO. SC-2005-00 42
LAURA GAUTNEY BLACK)
LOYD GILFORD KING)
)
RESPONDENTS)

SHOW CAUSE ORDER

The Alabama Securities Commission ("Commission"), having the power 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 600 Beacon Parkway West, Suite 950, Birmingham, AL 35209.

2. TIMOTHY M. GAUTNEY ("GAUTNEY") (CRD #4147532) is the founder and direct owner (75%+ ownership) of AURA. He has been an Alabama registered agent of AURA since 1995. CRD indicates that GAUTNEY is a RA, GS, GP, FN, OP, ET, and MR with the following: S4- Options, S7- Rep, S24- GSP, 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. LAURA GAUTNEY BLACK ("BLACK") (CRD#3082061) is the corporate secretary, an attorney, a registered principal and a registered representative. She owns less than 5% of AURA. CRD indicates that BLACK is a GS, GP and ET with the following exams: S7- Rep, S24- GSP, S55- Equity Trader, and S63- Agent. BLACK has been an Alabama registered agent since September 25, 2000.

4. LOYD GILFORD KING ("KING") (CRD #2892687) is the corporate treasurer and owns less than 5% of AURA. CRD indicates that KING is a FN with the following exams: S27- FINOP and S63- Agent.

STATEMENT OF FACTS

March 2003 Audit

5. During the period of March 4, 2003 through March 6, 2004, an examination of the books and records of the home office of AURA was conducted by the Commission staff ("Staff) under the authority of the Code of Alabama 1975, 8-6-3(i).

6. 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

7. Of the items listed in Exhibits 2 and 3 the following items were not provided:

- (a) The Staff requested immediate access to the financial records of AURA. The 2002 financial records were not onsite and were not provided until the third day of the audit.
- (b) Minutes for all of the Board of Directors' meetings were not provided to the Staff.
- (c) AURA employees' personal securities transaction records were not provided.
- (d) AURA could not produce the required record for the investment advisers of the firm.

8. AURA does 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 is required in AURA written supervisory manual (WSP).

9. AURA's WSP requires that all incoming and outgoing written and electronic correspondence from or to its registered representatives must be reviewed daily by a registered principal. AURA's home office does not maintain email for offices other than the home office

and does not maintain any written correspondence for the branch or field offices¹.

10. AURA had ninety-three (93) registered "independent representatives", as described by AURA, operating in a forty-three (43) states with four (4) OSJ branch offices and sixty-four (64) field offices. One (1) branch manager and supervising principal is currently under special supervision by AURA due to 17 different disclosure issues.

11. GAUTNEY represented that the field offices and the registered representatives operate on the "honor system" which is not clearly defined by GAUTNEY nor the WSP.

12. AURA hired 6 agents with 10 CRD disclosure items or more and one agent with a pending felony Assault 1st degree charge.

13. 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 NASD.

14. 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 conduct for 2003.

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

16. At the time of the audit, two complaints had been filed with the NASD against AURA agents involving the trading of options. As of the date of this order CRD records indicate that these complaints are still unresolved.

17. A sampling of 40 customer files, a small sample of the AURA customer files, revealed numerous customer files that were deficient in one or more of the following:

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

18. Erik and Joseph Matz, registered AURA representatives, had criminal records at

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

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

19. 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 Commission staff ("Staff) under the authority of the Code of Alabama 1975, 8-6-3(i).

20. 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.

21. Aura has four (4) Office of Supervisory Jurisdiction offices and sixty-two (62) unregistered offices throughout the country.

22. Aura's WSP states:

"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."

23. Furthermore the WSP states:

"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."

24. The firm conducted 8 internal audits, 6 branch/unregistered offices and 2 OSJ, in the calendar year of 2003.

25. The firm conducted 13 internal audits, 10 branch/unregistered offices and 3 OSJ, in the calendar year of 2004.

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

27. The home office has never gone through an internal inspection as required by the WSP.

28. Aura's 2004 WSP states:

"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."

29. Mr. Burt Linthicum, Chief of Compliance, 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 few correspondence from the field offices for review or approval. The firm did produce a file folder which contained form letters approved by the firm.

30. It should be noted that in an examination conducted by the Nevada Securities Division at the 82 Yesterday Dr., Henderson, Nevada office of Aura, correspondence was found but none of the outgoing correspondence had been initialed by a principal.

31. 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.

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

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

34. In the 2003 audit, examiners found one (1) registered representative to have a felony indictment for assault. During the 2005 audit, examiners asked ARUA 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 them a written update.

35. AURA's 2004 audited financials listed \$36,044.95 as postage under operating expenses. AURA's audited financials listed as an income of \$433,742.14 Postage Reimbursement as Other Income and (Expenses). The entry for postage represents AURA's actual expense for Fed Ex and general postage. Postage reimbursement represents AURA's fee to its clients for the distributions of confirmations, monthly statements and other documents. AURA's fee schedule and new customer account form does 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. Postage reimbursement amount is included as part of the commissions as displayed on the confirmations that are sent to the client.

April 2005 West Palm Beach Audit

36. On April 25, 2005, Alabama Securities Commission examiners and Scott Pays, an examiner from the NASD New Orleans' office, began an OSJ branch office audit of Aura's West Palm Beach, Florida branch located at 120 South Olive St. pursuant to the Code of Alabama 1975, 8-6-3(i).

37. 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.

38. Aditya Saraogi, CRD # 4439734, has been the branch manager since March 17, 2005.

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

40. 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

41. On June 22, 2005, an examiner from the Alabama Securities Commission and an examiner from the NASD New Orleans began an OSJ branch office audit of Aura's West Palm Beach, Florida branch located at 120 South Olive St. 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
- (ii) documents maintained by the branch since March 17, 2005

42. The examiners reviewed approximately 1200 items correspondence dated prior to March 17, 2005. None of these items of identified as correspondence were signed or initialed by a principal, and there was no evidence of principal review.

43. AURA's 2004 and 2005 WSP states: "All securities transactions and correspondence dealing with the solicitation of securities transactions with clients will be reviewed and approved by a designated person.

44. 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.

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

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

47. Niyukt R. Bhasin, former OSJ branch manager and Aditya Saraogi, the current OSJ branch manager, 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. Mr. Linthicum failed to hold an annual compliance meeting during the December 2004 internal audit.

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

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

50. 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 but it was not available.

51. 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.

52. 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.

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

54. 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.

55. 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).

56. Since March 17, 2005, the OSJ branch office failed to maintain complaint files. Mr. Saraogi stated that under his management there have been no new complaints; however, prior to his designation as branch manager were at least nine (9) customer complaints.

CONCLUSIONS OF LAW

1. Commission Rule 830-X-3-.13 Supervision of Associated Persons.

a) Commission Rule 830-X-3-.13(1) “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.”

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.

b) Commission Rule 830-X-3-.13(3) “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 for 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.).

c) Commission Rule 830-X-3-.13(3)(b) provides that every dealer or investment advisor should conduct frequent examination of all customers’ accounts to detect and prevent irregularities or abuses.

AURA failed to execute procedures for the frequent review of customer accounts.

d) Commission Rule 830-X-3-.13(3)(e) provides that every dealer or investment advisor shall develop and enforce procedures for a 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.

e) Commission Rule 830-X-3-.13(4)(b) "Every dealer, issuer or investment adviser who has designated more than one supervisor pursuant to paragraph (2) of this rule shall designate from among his partners, officers, directors or other qualified associated persons, a person or group of persons 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. Commission Rule 830-X-3-.14(1) "Every dealer registered in this state, except as otherwise provided by this rule, shall make and keep current the following books and records relating to its business as provided herein:

a) Commission Rule 830-X-3-.14(1)(l)8 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 at least the following information with respect to such person:

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 of registered representatives Erik and Joseph Matz.

b) Commission Rule 830-X-3-.14(6) "All records required to be kept hereunder shall be in such form as may conveniently be examined by the Commission or its Staff without the necessity of 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.

3. Commission Rule 830-X-3-.15(c) "Originals of all communications received and copies of all communications sent by such dealer (including interoffice memoranda and communications) 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.

4. Commission Rule 830-X-3-.16(1) "Every investment adviser registered or required to be registered under the Act shall make and keep current the following books, ledgers and records:

a) Commission Rule 830-X-.16(1)(a) A journal or journals, including cash receipts and disbursements records, and any other records of original entry forming the basis of entries in any ledger.

AURA failed to maintain or provide for review, any of the items outlined in this rule for its registered investment adviser representatives.

b) Commission Rule 830-X-.16(1)(b) General and auxiliary ledgers (or other comparable records) reflecting assets, liabilities, reserves, capital, income and expense accounts.

AURA failed to maintain, or provide for review, any of the items outlined in this rule for its registered investment adviser representatives.

c) Commission Rule 830-X-3-.16(1)(e) Bills and statements (or copies thereof), paid or unpaid, relating to the business of the investment adviser as such were not provided or kept on the premises.

AURA failed to maintain or provide for review any of the items outlined in this rule for its registered investment adviser representatives.

5. Section 8-6-3(j)(10)states Code of Alabama 1975, "the Securities Commission may by order deny, suspend or revoke any registration, or censor or bar any applicant or

registrant if the commission finds that the order is in the public interest and that the applicant or registrant has failed reasonably to supervise his agents or employees if he is a dealer or his investment adviser representative or employees if he is a dealer, or his investment adviser employees if he is an investment adviser, to assure their compliance with this article.

AURA's practices of hiring registered representatives with criminal records and/or numerous disclosure; failing to establish and/or enforce adequate supervisory procedures; and failing to maintain the required books and records makes AURA violative of this statute.

6. Commission Rule 830-X-3-.12 " Every dealer investment adviser and every associated person thereof who recommends to a customer the purchase, sale or exchange of any security shall have reasonable grounds to believe and shall believe that the recommendation is suitable for such customer on the basis of information furnished by such customer after reasonable inquiry concerning the customer's investment objectives, financial situation and needs, and any other information known by such dealer, investment adviser or associated person thereof."

Numerous individual profiles and suitability questionnaires did not contain the required financial information necessary to determine suitability. Investment adviser representative James Michael Burness stated he kept all that information in his head.

7. Commission Rule 830-X-3-.13 "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 for 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 adequately address the location, maintenance and storage of the firm's books and records (Sales blotters, ledgers, journals, books of original entry, etc.).

Furthermore, AURA failed to establish and enforce a heightened supervision policy prior to February 2005.

8. Commission Rule 830-X-3-.13(1) 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.”

Mr. Gautney supervises the investment adviser operation. Not all records for the investment adviser representatives are kept in the home office, but Mr. 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. Mr. Gautney had initialed all the questionnaires. When asked to produce certain investment adviser client files, the firm representative stated they did not have them.

9. Commission Rule 830-X-3-.13(1) 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.”

The firm failed to place at least one of its employees on heightened supervision as required under the guidelines of its 2005 WSP and allowed the individual to serve as a branch manager.

10. Commission Rule 830-X-3-.13(3)(e) “The prompt review and written approval of the handling of all customer complaints.”

AURA failed to conduct independent review or investigation of customer complaints instead depending on the registered representative to give the basis of denying a claim. The files were incomplete and did not meet the standards outlined in the firms WSP.

11. Commission Rule 830-X-3-.13(4)(b) “Every dealer, issuer or investment adviser who has designated more than one supervisor pursuant to paragraph (2) of this rule shall designate from among his partners, officers, directors or other qualified associated persons, a person or group of persons 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 WSP.

12. Commission Rule 830-X-3-.14(1) (l)(8) "Every dealer registered in this state, except as otherwise provided by this rule, shall make and keep current the following books and records relating to its business as provided herein: "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 at least the following information with respect to such person: 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 of one registered representative.

13. Commission Rule 830-X-3-.15(c) "Originals of all communications received and copies of all communications sent by such dealer (including interoffice memoranda and communications) relating to the business of the dealer."

According to the WSP, all incoming and outgoing written and electronic correspondence of its registered representatives must be reviewed daily upon receipt by a registered principal. AURA failed to maintain a complete correspondence file. Mr. Linthicum stated that correspondence for the firm and individual correspondence may be scattered in several files. Ms. Cauble stated that very few correspondence are received from the field offices. Prior to September 2004, the firm did not maintain or review written communications and/or email of the branch or field offices. No evidence was found to confirm the required daily review of all correspondences by a registered principal and no adequate evidence of the review of email was provided.

According to the Nevada audit of an AURA branch, the auditors noted that no outgoing correspondence had been signed by a principal. AURA failed to maintain copies of all communications.

14. Section 8-6-3(j)(7), Code of Alabama 1975, states the securities commission may by order suspend or revoke any registration, or censor or bar any applicant or 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 occupying a similar status or performing a similar function, or any person directly or indirectly controlling the dealer or investment adviser and has engaged in dishonest and unethical practices in the securities business by:

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.

15. Section 8-6-3(j)(7), (9) and (10), Code of Alabama 1975, the securities commission may by order suspend or revoke any registration, or censor or bar any applicant or 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 occupying a similar status or performing a similar function, or any person directly or indirectly controlling the dealer or investment adviser;

- a) Has engaged in dishonest and unethical practices in the securities business;
- b) Has not complied with a condition imposed by the commission under subsection (f) of this section, or is not qualified on the basis of such factors as training, experience or knowledge of the securities business;
- c) 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 this article.

AURA's practices of hiring registered representatives with criminal records and/or numerous disclosures; naming branch manager with numerous disclosures, failing to establish and/or enforce adequate supervisory procedures; failing to establish and/or enforce adequate heightened supervisory procedures, failing to independently investigate complaints on its registered representatives, failing to report complaints to CRD, failing to make adequate disclosure of all fees, failing to conduct required and timely internal audits of all offices, failing to keep and review all electronic mail, and failing to maintain the required books and records, fostered unethical business practices and makes AURA violative of these statutes.

16. Commission Rule 830-X-3-.13(3) "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 for 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 adequately 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.

17. Commission Rule 830-X-3-.13(3)) "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 for 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 provide its West Palm Beach Florida branch office and its branch manager a copy of the firm's Written Supervisory Policy.

18. Commission Rule 830-X-3-.13(3) states "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 maintain a written supervisory manual at the OSJ branch office located at 1655 Palm Lakes Blvd. West Palm Beach, Fl.

19. Commission Rule 830-X-3-.13(3) states "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 in 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 follow written procedures by not conducting a proper internal audit of its OSJ branch office located at 1655 Palm Lakes Blvd. West Palm Beach, Fl.

20. Commission Rule 830-X-3-.13(3)(c) states "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."

The branch manager failed to review and approve all outgoing correspondence relating to securities transactions. Failure to review and approve these documents also violates SEC Rule 17a-4.

21. Commission Rule 830-X-3-.13(3)(e) states "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." (e) "The prompt review and written approval of the handling of all customer complaints."

AURA failed to maintain and review customer complaint files.

22. Commission Rule 830-X-3-.15(c) Records to be Preserved by Registered Dealers states "Except as otherwise provided by this rule, every dealer shall preserve the following records for a period of not less than three (3) years, during the first two (2) years of which such records shall be kept in an easily accessible place: (c) Originals of all communications received and copies of all communications sent by such dealer (including interoffice memoranda and communications) relating to the business of the dealer"

AURA failed to ensure that the OSJ branch office located at 1655 Palm Lakes Blvd. West Palm Beach, FL maintain a copy of all complaints and communications related to those complaints. Failure to maintain a copy of complaint files also violates SEC Rule 17a-3(a)(18) and NASD Rule 3110.

23. Commission Rule 830-x-3-.14(1)(l) states "Every dealer registered in this state, except as otherwise provided by this rule, shall make and keep current the following books and records relating to its business as provided herein: 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 at least the following information with respect to such person:

The branch failed to maintain employee files.

24. Commission Rule 830-x-3-.14(1)(l) states "Every dealer registered in this state, except as otherwise provided by this rule, shall make and keep current the following books and records relating to its business as provided herein:

The OSJ branch office failed maintain a securities blotter. Failure to maintain a securities blotter also violates SEC Rule 17a-(3)(a)(1).

25. Commission Rule 830-x-3-.14(1)(l) states "Every dealer registered in this state, except as otherwise provided by this rule, shall make and keep current the following books and records relating to its business as provided herein:

The OSJ branch office failed maintain a checks received blotter. Failure to maintain a checks received blotter also violates SEC Rule 17a-(3)(a)(1).

26. Commission Rule 830-x-3-.14(1)(f) states "Every dealer registered in this state, except as otherwise provided by this rule, shall make and keep current the following books and records relating to its business as provided herein:" (f) "A memorandum of each brokerage order, and of any other instruction, given or received for the purchase or sale of securities, whether executed or unexecuted. Such memorandum shall show the terms and conditions of the order or instructions and of any modification or cancellation thereof the account for which entered, the time of entry, the price at which executed and, to the extent feasible, the time of execution or cancellation. Orders entered pursuant to the employee thereof, shall be so designated. The term "instruction" shall be deemed to include instructions between partners and employees of a dealer. The term "time of entry" shall be deemed to mean the time when such dealer transmits the order or instruction for execution or, if it is not so transmitted, the time when it is received."

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).

27. Commission Rule 830-X-3-.13(3) states "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 for 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."

The firm failed to provided to the customers a "plain English" definition of the customer's investment objectives as required by SEC Rule 17a-3(a)(17)(i)(B)(1). The branch manager stated that he was not aware of any documentation that would inform the client of this information.

28. Commission Rule 830-X-3-.13(3)(c) states "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."

The branch manager failed to review and approve all outgoing correspondence relating to securities transactions. Failure to review and approve these documents also violates SEC Rule 17a-4.

29. Commission Rule 830-x-3-.14(1)(l) states "Every dealer registered in this state, except as otherwise provided by this rule, shall make and deep current the following books and

records relating to its business as provided herein.”

The OSJ branch office failed maintain a checks received blotter. Failure to maintain a checks received blotter also violates SEC Rule 17a-3(a)(1).

The branch did not maintain the compliance, supervisory and operational manuals for the previous three years as required by SEC Rule 17a-4(e)(7).

30. Commission Rule 830-X-3-.13(3) states “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 for 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.”

The firm failed to ensure that the OSJ branch office maintain a copy of all complaints. Failure to maintain a copy of complaint files also violates SEC Rule 17a-3(a)(18) and NASD Rule 3110.

31. Section 8-6-3(j)(10) of the Code of Alabama states “The securities commission may by order deny, suspend or revoke any registration, or censor or bar any applicant or 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 applicant or 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: (10) 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 this article”.

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 registrations as broker/dealer, investment adviser and agent should not be suspended or revoked in the state of Alabama.

Entered at Montgomery, AL, this 8th day of September,
2005.

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

BY:


JOSEPH P. BORG
Director

