

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

Department of Market Regulation,
Complainant

vs.

Allan J. Satterfield
(CRD No. 4087020)

Respondent

**Disciplinary Proceeding
No. 20050013986-02**

Hearing Officer Rochelle S. Hall

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: May 19, 2010

INTRODUCTION

Disciplinary Proceeding No. 20050013986-02 was filed on December 24, 2009, by the Department of Market Regulation of the Financial Industry Regulatory Authority ("FINRA") ("Complainant"). Respondent Allan J. Satterfield submitted an Offer of Settlement ("Offer") to Complainant on March 31, 2010. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council ("NAC"), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA") have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanction set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of

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findings consistent with the allegations of the Complaint, and to the imposition of the sanction set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

At all times relevant to the Complaint, Allen J. Satterfield ("Satterfield" or "Respondent"), age fifty-seven, was a registered representative at Wellstone. Satterfield first became registered with a FINRA member firm in December 1999, as a General Securities Representative. In November 2003, Satterfield registered with Wellstone. While employed at Wellstone, Satterfield worked out of his home in Gainesville, Georgia. His registration with Wellstone was terminated on December 31, 2007, when the firm ceased operations. Satterfield is not currently registered with a FINRA member, however, he remains subject to FINRA jurisdiction pursuant to Article V, Section 4 of FINRA's By-laws.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

1. Beginning in December 2004 and continuing through August 2005, while employed as a salesman at Wellstone Securities LLC, Respondent, acting with others, participated in a fraudulent scheme to solicit investments in an unregistered hedge fund called Aurora Investment Fund LLC, and its general partner, CET. In doing so, Respondent engaged in a variety of fraudulent and deceptive sales practices and disregarded his duties and obligations of fair dealing to his customers.

2. In conducting the scheme, Respondent knew, or was reckless in not knowing, that Aurora was engaging in a highly speculative trading strategy involving futures contracts and that information supplied by the hedge fund manager and used by Respondent to solicit Aurora and

CET contained materially false and misleading statements and omissions concerning, among other facts: (a) a pending CFTC securities fraud action against the hedge fund manager that called into question the veracity of the information he provided Respondent concerning Aurora, its trading strategy, and profitability; (b) the fund's theoretical and unproven performance figures; (c) the highly speculative nature of Aurora's trading strategy; and (d) the significant risks associated with an investment in Aurora and CET.

3. In soliciting customers, Respondent essentially ignored many red flags, including those contained in Aurora's Private Placement Memorandum ("PPM").

4. In addition, Respondent solicited his customers without conducting a reasonable investigation to determine whether Aurora and CET were suitable investments and without regard as to whether his customers were capable of evaluating and bearing the risks associated with such investments.

The Securities Respondent Recommended to Customers

Aurora Investment Fund LLC

5. At all times relevant to this Complaint, Aurora was an unregistered hedge fund that was created in 2002 as a limited partnership. According to Aurora's PPM and other sales material, the fund's trading strategy involved selling short S&P futures contracts purportedly to hedge against any losses on the S&P Index. In doing so, Aurora would rely upon a theory of trading analysis called "Xybernomics" whereby the fund would determine when to sell short futures contracts based upon "exogenous input frequencies" including the earth's gravitational forces. In addition, the PPM for Aurora contained the following materially-important disclosures about the fund and its theoretical and unproven investment strategy:

- Aurora had no trading history or performance history.
- Aurora had no audited financial statements.

- Neither CET nor the hedge fund manager had previously operated a commodity pool.
- The fund's investment strategy was speculative and involved significant risk of loss.
- Performance returns were hypothetical and not based on actual trading.
- Aurora was suitable only for sophisticated investors with the financial ability and willingness to accept high risks and lack of liquidity inherent in an investment in Aurora.
- Interests in the partnership generally would be sold to "accredited investors" as defined under Regulation D of the Securities Act of 1933.

CET

6. At all times relevant to the Complaint, CET served as the general partner of Aurora. CET was created in 2002 as a limited liability company. For those customers who did not meet the minimum investment requirements to invest in Aurora, Respondent offered CET to his customers as an alternative investment with lower minimum investment requirements.

Other Relevant Persons

TE

7. At all times relevant to the Complaint, TE served as President and Director of Trading for CET and had primary responsibility for all trading and operations of Aurora. Previously, in June 2003, in an action unrelated to Aurora or CET, TE was sanctioned and fined \$45,000 by the National Futures Association for making fraudulent misrepresentations in connection with the solicitation of customers to purchase futures contracts. In addition, in September 2003, in an action unrelated to Aurora or CET, the U.S. Commodity Futures Trading Commission filed a complaint in federal court against TE and his former employer alleging that TE had committed fraud in the solicitation of customers by exaggerating the likelihood of profiting from the purchase of commodity futures and by failing to disclose the actual risks associated with commodity futures trading. The CFTC complaint further alleged that TE and other defendants falsely represented that such risks were minimal, while failing to disclose that

during 2001 and 2002, more than ninety-five percent of their customers had lost money trading commodities futures for a total loss of more than \$9 million. On October 8, 2003, the court entered an order of preliminary injunction against TE in connection with this action. In 2006, the court entered an order of permanent injunction against TE in connection with this action pursuant to which TE was fined \$250,000.

DT

8. At all times relevant to the Complaint, DT was registered with Wellstone as a registered representative.

The Scheme

9. DT and TE devised and employed a fraudulent scheme to sell Aurora and CET through Wellstone. In furtherance of the scheme, DT and TE recruited Wellstone brokers, including Satterfield, to solicit Aurora and CET to unsuspecting customers through the use of deceptive and misleading sales pitches. Accordingly, in December 2004, Satterfield and other salesmen attended a meeting at Wellstone at which DT and TE made a presentation on how to solicit customers to invest in Aurora and CET. DT introduced TE as the head trader for Aurora.

10. DT and TE provided the salesmen with the PPM and a black binder filled with sales materials for Aurora. They also described Aurora's highly speculative trading strategy, details of which were also described in the binder containing the sales material.

11. According to DT and TE, Aurora would invest ninety-five percent of investor funds in shares of the S&P Index, and the remaining five percent would be used to sell short S&P futures contracts to hedge against any losses on the S&P Index.

12. DT and TE presented the strategy as a non-speculative approach for investors to protect against downside market risk, while profiting from any increase in the S&P Index.

13. DT claimed there was little risk of loss of an investor's principal because Aurora would hedge against any market downturn.

14. DT's claims that Aurora's trading strategy was non-speculative and low-risk directly contradicted the statements in the PPM that the trading strategy was speculative and involved substantial risks and that Aurora was not appropriate for investors seeking stability of principal.

15. DT and TE also touted Aurora's extraordinary performance results. They showed the salesmen copies of "test fund" performance results, contained in the sales binder, showing performance returns of fifty percent for Aurora in 2001 and 148 percent in 2002.

16. DT and TE claimed that, although the test fund results shown in the binder were labeled as hypothetical, these test fund performance figures for 2001 and 2002 were based on actual trading profits earned by TE using the hedge fund's trading strategy.

17. These claims that the test fund results were based on actual trading profits earned by TE contradicted statements in the PPM that the performance results were hypothetical and not based on actual trading. In fact, the PPM clearly stated:

The General Partner has had no experience trading actual accounts for itself or for customers. Because there are no actual trading results to compare to the hypothetical performance results, customers should be particularly wary of placing undue reliance on these hypothetical performance results.

18. DT and TE also noted that Aurora was open to accredited investors and that the fund required a minimum investment of \$250,000 from each investor. For those customers who could not meet these restrictions, they told the brokers to have their customers invest in CET, which had no minimum investment and no restrictions on non-accredited investors.

19. In doing so they also noted that CET and Aurora were essentially the same vehicle, that TE would trade them as one fund, and that investors would receive the same returns on both.

20. These assertions highlight that Aurora and CET were suitable only for sophisticated investors with the financial ability and willingness to accept high risks.

21. TE offered to pay the salesmen, through Wellstone, for each customer that invested in either Aurora or CET through Wellstone, a commission equal to one percent of the customer's investment.

22. As extra incentive, TE offered to pay the salesmen, through Wellstone, a quarterly performance fee equal to four percent of their customers' earnings on their investments.

Satterfield Participates in the Fraudulent Scheme

23. Beginning in approximately December 2004 and continuing through August 2005, Satterfield knowingly and recklessly joined the fraudulent scheme by soliciting and selling Aurora and CET to his customers.

24. Satterfield did no independent investigation of Aurora, CET, or TE before he began his fraudulent solicitation of the investment to his clients. Even though Satterfield had no previous training or experience with futures trading, hedge funds, or private placements and even though the information provided by TE and DT was contrary to disclosures contained in the PPM, Satterfield relied solely on the deceptive and misleading information provided by TE and DT about Aurora and CET. Satterfield failed to conduct a reasonable investigation of the investments in view of these inconsistencies as well as other clear warnings and risk disclosures contained in the PPM and he did not understand the investments. In fact, at the time of the sales to his customers, Satterfield did not even understand what a "private placement" was.

25. Further, Satterfield recommended Aurora and CET without regard to whether Aurora or CET were suitable investment products for any investor and without any determination whether they were suitable for his individual customers. He failed to conduct a reasonable investigation of his customers' financial status, investment objectives, and knowledge and experience in financial matters to determine whether the customers were capable of evaluating and bearing the risks associated with an investment in an unregistered hedge fund engaged in a speculative strategy involving futures contracts. In addition, in fraudulently soliciting Aurora and CET, Satterfield did not tell his customers that he had not done a reasonable investigation of the investments or their suitability.

26. Satterfield made other materially false and misleading statements and omissions when recommending the purchase of interests in Aurora and CET.

27. For example, notwithstanding language to the contrary in the PPM, Satterfield solicited customers to purchase interests in Aurora and CET by falsely representing that Aurora's trading strategy was a conservative method of protecting principal and that the funds would not engage in speculative trading.

28. Satterfield also used the misleading information in the black sales binder, and in particular, deceptively touted the hypothetical test fund results for 2001 and 2002 to convince customers to purchase Aurora and CET.

29. Satterfield did not fully disclose the true risks associated with Aurora and CET, and failed to take reasonable steps to ensure that his customers knew, understood, and were willing to take such risks.

30. Satterfield did no investigation of TE's background before recommending Aurora and CET to customers and he did not disclose this lack of investigation to his customers. Even

after learning of the securities fraud charges against TE, Satterfield did not disclose this information to any of his customers. He failed to take reasonable action to protect his customers' interests, by, at least, disclosing this information to customers that still owned Aurora or CET.

31. As a result of his efforts, Satterfield raised approximately \$4.5 million from fourteen customers who invested in Aurora and CET on his recommendation and he received approximately \$60,000 in commissions therefrom.

32. Satterfield knew, or was reckless in not knowing, that the sales material and his sales pitches to customers relating to Aurora and CET contained materially false and misleading statements and omissions. Further, in recommending Aurora and CET to customers, Satterfield failed to have reasonable grounds for believing that his recommendations were suitable, and in fact, knew or was reckless in not knowing that Aurora and CET were unsuitable for his customers.

33. By reason of the foregoing, Satterfield, in connection with the purchase or sale of Aurora and CET securities, and by the use of the means or instrumentalities of interstate commerce, or of the mails, intentionally or recklessly employed manipulative or deceptive devices, schemes, or artifice to defraud; made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and engaged in acts, practices or a course of business which operated or could operate as a fraud or deceit upon any person, in violation of NASD Rules 2110 and 2120.

34. Satterfield negligently made misleading misrepresentations and omissions of material facts to his customers in connection with the purchase or sale of Aurora or CET securities, and failed to observe high standards of commercial honor and just and equitable principals of trade in violation of NASD Rule 2110.

35. Satterfield failed to conduct a reasonable investigation of Aurora and CET to determine whether the securities being offered were suitable for recommendation to any customer and further, failed to have reasonable grounds to believe that the recommendation of Aurora and CET was suitable for individual customers on the basis of facts, disclosed by such customers, as to the customer's other securities holdings and financial situation and needs. By reason of the foregoing, Satterfield violated NASD Rules 2110, 2310 and IM-2310-2.

Based on the foregoing, Respondent is found to have violated NASD Rules 2110, 2120, 2310, and IM-2310-2. The charge that Respondent violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, as alleged in the First Cause of Action in the Complaint, is dismissed.

Based on these considerations, the sanction hereby imposed by the acceptance of the Offer is in the public interest, is sufficiently remedial to deter Respondent from any future misconduct, and represents a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTION

It is ordered that Respondent be suspended from association with any member of FINRA in any capacity for six months.

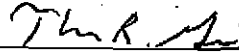
Respondent has submitted a sworn financial statement and demonstrated an inability to pay. In light of the financial status of Respondent, no monetary sanctions have been imposed.

The sanction imposed herein shall be effective on a date set by FINRA staff.

SO ORDERED.

FINRA

Signed on behalf of the
Director of ODA, by delegated authority



Thomas R. Gira
Executive Vice President
Department of Market Regulation