

**FINRA
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

v.

AURA FINANCIAL SERVICES, INC.
[CRD No. 42822]

AND

TIMOTHY M. GAUTNEY,
Equity Trader, Financial and Operations
Principal, Municipal Securities
Representative, Registered Operations
Principal, General Securities Principal, and
General Securities Representative
[CRD No. 2552149]

Respondent.

DISCIPLINARY PROCEEDING
No. 2008011565203

Hearing Officer: SNB

ORDER ACCEPTING
OFFER OF SETTLEMENT

Date: September 17, 2010

INTRODUCTION

Disciplinary Proceeding No. 2008011565203 was filed on May 12, 2010 (Amended Complaint), by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondents Aura Financial Services, Inc. and Timothy M. Gautney submitted an Offer of Settlement (Offer) to Complainant dated August 23, 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

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9270(e)(3). The findings, conclusions and sanctions 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 Amended 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 findings and violations consistent with the allegations of the Amended Complaint, and to the imposition of the sanctions 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

Respondent Aura Financial Services, Inc. ("Aura") has been a member of FINRA since April 25, 1997. During all periods mentioned herein, Aura was a registered broker-dealer with the United States Securities and Exchange Commission and a member of FINRA. On December 23, 2009, Aura filed a Form BDW, requesting that the firm's registration be withdrawn. FINRA cancelled the firm's registration on February 16, 2010.

Respondent Timothy M. Gautney entered the securities industry on November 7, 1994 as a General Securities Representative with a FINRA member firm. During all periods mentioned herein, Gautney was registered with FINRA under Article V of the By-Laws as an Equity Trader, Financial and Operations Principal, Municipal Securities Representative, Registered Operations Principal, General Securities Principal, and General Securities Representative of Aura Financial Services, Inc. From April 1997 to December 23, 2009, Gautney served as the president of Aura. Although FINRA terminated Gautney's registrations on February 16, 2010, he remains subject to the jurisdiction of FINRA until February 15, 2012, pursuant to Article V, Section 4 of FINRA's

By-Laws, which provides for a two-year period of retained jurisdiction over formerly registered persons.

Aura Financial Services, Inc. and Timothy M. Gautney have been the subject of the following formal disciplinary actions:

On December 20, 2005, an Offer of Settlement was accepted whereby Aura Financial Services, Inc. and Timothy M. Gautney were found to have violated NASD Conduct Rules 3010(a) and 2110 for failure to supervise Erik Matz for engaging in excessive trading in customer accounts at Aura and failure to enforce written supervisory procedures regarding excessive trading. Aura Financial Services, Inc. and Timothy M. Gautney were jointly and severally fined \$15,000. Gautney was suspended in a principal capacity for five business days. In addition, a censure was imposed against Aura Financial Services, Inc.

On October 16, 2008, an Offer of Settlement was accepted whereby Aura Financial Services, Inc. and Timothy M. Gautney were found to have violated NASD Conduct Rules 2110, 2310 and 3010(a) and (b) for failure to supervise and failure to enforce written supervisory procedures. In addition, Aura Financial Services, Inc. was found to have violated NASD Conduct Rules 2110 and 2310 for recommending unsuitable hedge fund transactions; NASD Conduct Rules 2110 and 3010(a) and (b) for failure to supervise, MSRB Rules G-14 and G-15 for failure to accurately report municipal securities transactions; NASD Conduct Rules 2110, 4632, 4642 and 5430 for failure to report trades; NASD Conduct Rules 2110 and 6230 for failure to accurately report agency trades; NASD Conduct Rules 3070(c), 3010(a) and (b) and 2110 for failure to report customer complaints; and SEC Rules 15c3-1, 15c3-3, 17a-3(a)(ii), 17a-5 and 17a-11, and

NASD Conduct Rules 2110 and 3110 for net capital, customer protection rule, books and records, and inaccurate FOCUS filings violations. Gautney was suspended in a principal capacity for 30 business days. Gautney and Aura Financial Services, Inc. agreed to pay \$100,000 each in customer restitution.

FINRA cancelled the firm's registration on February 16, 2010, due to non-payment of member fees.

FINDINGS AND CONCLUSIONS

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

1. During the period from on or about April 1, 2006 through on or about May 31, 2008, the firm, acting through Timothy M. Gautney, President and Chief Executive Officer, failed to establish, maintain, and enforce an adequate supervisory system and adequate written supervisory procedures to detect and prevent excessive trading in customer accounts.
2. On November 29, 2005, Gautney and Aura settled with FINRA for failure to have a reasonable supervisory system regarding excessive trading. The order resulting from the settlement also found that Gautney and Aura had failed to supervise Eric Matz, a registered representative who engaged in excessive trading in a customer account. Gautney agreed to a five business-day principal suspension. Aura and Gautney were jointly and severally fined \$15,000.
3. In May 2006, Gautney attended an Exit Conference at FINRA's offices in connection with an ongoing FINRA examination of the firm. The first item addressed was excessive trading. The Exit Conference report set forth 21 accounts with turnover ratios, commission/equity

ratios, and cost/equity maintenance ratios indicative of excessive trading. Despite the indications of excessive trading taking place, Gautney did not require that the responsible representatives have their activity limited, did not require an investigation, and did not require that customers be contacted.

4. In May 2007, Gautney attended another Exit Conference at FINRA's offices in connection with additional ongoing FINRA examination of the firm. Again, the Exit Conference report addressed excessive trading, setting forth 50 accounts with ratios indicative of excessive trading. Despite the repeated appearance of red flags indicative of potential excessive trading, Gautney still did not require that the responsible representatives have their activity limited, did not require an investigation, and did not require that customers be contacted.
5. Gautney was the president of Aura Financial Services during the entire time period at issue. The chief compliance officer reported to Gautney. Although he delegated supervision of excessive trading to his chief compliance officer, Gautney became aware of the existence of red flags regarding excessive trading.
6. Gautney was aware of the firm's procedures, knew that the firm had failed to adequately enforce its procedures in the past, and had been notified by the chief compliance officer that he was having difficulty fulfilling his compliance duties. Gautney also knew that the firm had a high incidence of accounts exhibiting indicia of excessive trading. Despite these red flags, Gautney did not take reasonable steps to ensure that the chief compliance officer was fulfilling his duties or to ensure that the firm had an adequate supervisory system to prevent excessive trading.

7. Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rules 2110, 3010(a) and 3010(b) by Respondents Aura Financial Services, Inc. and Timothy M. Gautney.
8. During the period from on or about April 1, 2006 through on or about May 31, 2008, the firm, acting through Timothy M. Gautney, President and Chief Executive Officer, failed to reasonably supervise two of the registered representatives of Aura Financial Services, Inc.
9. Although Gautney was not the direct supervisor of ET or SS, prior to April 1, 2006, numerous red flags indicating apparent excessive trading by Representative ET and Representative SS should have alerted the Gautney and the firm to the need to provide supervision of the two registered representatives regarding excessive trading.
10. Gautney interviewed ET and was the person within the firm who made the decision to hire ET. At the time Gautney hired ET, the registered representative had five disclosures on his Central Registration Depository record for sales practice issues that included excessive trading.
11. In addition, Gautney attended an Exit Conference in May 2006 which identified ET and SS's accounts as accounts with red flags indicative of excessive trading for the calendar year 2005. Gautney attended a second Exit Conference in May 2007, where he was confronted with evidence showing that from April 1, 2006 to March 31, 2007, Representative ET was the broker of record for 18 of 50 accounts that exhibited red flags indicative of excessive trading. From April 1, 2006 to March 31, 2007, Representative SS was the broker of record for 12 of the 50 accounts that exhibited red flags indicative of excessive trading. In March 2009, Gautney also received an examination report from FINRA pointing out that the firm's own records for April 2008 and May 2008 showed indicia of excessive trading in 65 accounts.

Representative ET was the broker of record for 21 of the 65 accounts that exhibited red flags indicative of excessive trading. Representative SS was the broker of record for 7 of the 65 accounts that exhibited red flags indicative of excessive trading.

12. Furthermore, both ET and SS were top producers in the firm. From 2005 onward, Gautney reviewed reports every two weeks that showed the commissions earned by ET and SS. The high commissions earned by these registered representatives combined with their history of apparent excessive trading should have prompted Gautney to investigate and to take action. Gautney, however, took no steps to investigate the trading or restrict the activities of ET and SS.
13. Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rules 2110 and 3010 by Respondents Aura Financial Services, Inc. and Timothy M. Gautney.
14. Aura and Gautney failed to comply with the terms of an Order issued by the Office of Hearing Officers regarding FINRA Complaint No. E052005000702 (the "Order"), which involved among other things, the failure to supervise unsuitable sales of hedge fund investments to customers of Aura. The Order was entered as a result of acceptance by FINRA of an Offer of Settlement submitted by Aura and Gautney.
15. The Order, which was effective on or about October 16, 2008, required payment of restitution to customers AP, RC, and AM according to a payment schedule attached to the Offer of Settlement. Both Aura and Gautney agreed to pay \$100,000 each (\$200,000 total). Although Aura and Gautney made earlier payments, neither Aura nor Gautney made the payments due on September 30, 2009 or December 31, 2009. The schedule required payments on September 30, 2009 and December 31, 2009 by Gautney of \$4,229.99 to AP, \$270.00 to RC,

and \$4,499.99 to AM and by Aura in the same amounts. Both Aura and Gautney failed to make any of the September 30, 2009 and December 31, 2009 payments.

16. Under the Order, Aura and Gautney continue to owe the following amounts in unpaid restitution to Customers AP, RC, and AM:

Aura owes Customer AM - \$26,999.94

Aura owes Customer AP- \$25,379.94

Aura owes Customer RC- \$1,620

Gautney owes Customer AM - \$26,999.94

Gautney owes Customer AP- \$25,379.94

Gautney owes Customer RC- \$1,620

Thus, out of the \$200,000 in total restitution agreed to pursuant to the Order, over half of the amount owed to the customers remains unpaid.

17. Gautney, on behalf of Aura, signed the underlying Offer of Settlement and was aware of the terms of the Offer and the resulting Order.
18. Such acts, practices, and conduct constitute separate and distinct violations of FINRA Conduct Rule 2010 by Aura Financial Services, Inc. and Timothy M. Gautney.
19. By letter dated January 8, 2010, FINRA staff requested, pursuant to Rule 8210, that Gautney appear at the New Orleans, Louisiana district office on February 5, 2010 to provide on-the-record testimony concerning his supervisory role at Aura Financial Services, Inc.
20. The January 8, 2010 letter was sent by first class mail and by certified mail, return receipt requested, to Gautney's address of record as contained in the records of the Central Registration Depository ("CRD address"). The first class mailing was not returned to FINRA

staff. The correspondence sent by certified mail was returned to FINRA staff labeled "Return to Sender - Unclaimed - Unable to Forward."

21. Gautney did not appear at the New Orleans district office on February 5, 2010, as requested, pursuant to FINRA Rule 8210.
22. Such acts, practices, and conduct constitute separate and distinct violations of FINRA Rules 8210 and 2010 by Timothy M. Gautney.

Based on the foregoing, Respondents Aura Financial Services, Inc. and Timothy M. Gautney violated NASD Conduct Rules 2110, 3010, 3010(a), 3010(b), and FINRA Rule 2010. In addition, Respondent Gautney violated FINRA Rules 8210 and 2010.

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

SANCTIONS

It is ordered that sanctions be imposed against Aura Financial Services, Inc. of the following:

An order suspending Aura Financial Services, Inc. until restitution is paid to Customers AM, AP, and RC in the following amounts:

AM - \$24,999.96 plus interest
AP - \$15,666.64 plus interest
RC - \$1,500.00 plus interest

Interest shall be paid at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 USC 6621 (a)(2), from September 30, 2009 until the final restitution payment is

made. The interest payment to AM shall be based upon the principal amount of \$24,999.96. The interest payment to AP shall be based upon the principal amount of \$15,666.64. The interest payment to RC shall be based on the principal amount of \$1,500.00.

The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

It is ordered that sanctions be imposed against Timothy M. Gautney of the following:

1. A bar in a principal capacity.
2. A suspension in all capacities for eight months.
3. An order to pay restitution to Customers AM, AP, and RC in the following amounts:

AM - \$24,999.96 plus interest

AP - \$15,666.64 plus interest

RC - \$1,500.00 plus interest

Respondent Gautney's restitution payments shall be deferred until 90 calendar days following Gautney's reapplication to enter the securities industry. Payments by Gautney to the customers shall be due in accordance with the following schedule:

Repayment Date	AM	AP	RC
90 days post-reapplication	\$4,166.66	\$3,916.66	\$250.00
180 days post-reapplication	\$4,166.66	\$3,916.66	\$250.00
270 days post-reapplication	\$4,166.66	\$3,916.66	\$250.00

365 days post-reapplication	\$4,166.66	\$3,916.66	\$250.00
One year and 90 days post-reapplication	\$4,166.66	\$3,916.66	\$250.00
One year and 180 days post-reapplication	\$4,166.66	\$3,916.66	\$250.00

One year and 270 days post-reapplication, Respondent Gautney shall pay AM, AP, and RC all interest owed on the principal amounts. Interest shall be paid at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 USC 6621 (a)(2), from September 30, 2009 until the final restitution payment is made. The interest payment to AM shall be based upon the principal amount of \$24,999.96. The interest payment to AP shall be based upon the principal amount of \$15,666.64. The interest payment to RC shall be based on the principal amount of \$1,500.00.

Satisfactory proof of payment of the restitution or reasonable and documented efforts undertaken to effect restitution shall be provided to FINRA staff no later than 15 days following each payment set forth above. If for any reason Gautney cannot locate any customer listed above after reasonable and documented efforts within such period, or such additional period agreed to by the staff, Gautney shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed property, or abandoned property fund for the state in which the customer is last known to have resided.

The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this Order.

SO ORDERED.

FINRA

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

A handwritten signature in black ink, appearing to read "Laura Leigh Blackston", is written over a horizontal line.

Laura Leigh Blackston, Senior Regional Counsel
FINRA Department of Enforcement
1100 Poydras Street
Energy Centre, Suite 850
New Orleans, LA 70163
Phone: (504) 522-6527; Fax: (504) 522-4077