

**ADMINISTRATIVE PROCEEDING
BEFORE THE
MARYLAND SECURITIES COMMISSIONER**

IN THE MATTER OF:

*

Aurora Investment Management Group LLC

*

File No.: 2015-0069

and

*

Ronald F. McDonald III, CRD # 2385464

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Respondents

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FINAL ORDER OF DENIAL AND BAR

WHEREAS, pursuant to Section 11-405 of the Maryland Securities Act, Corporations and Associations Article, Title 11, Annotated Code of Maryland (2014 Repl. Vol.) (the “Act”), Aurora Investment Management Group LLC (“Aurora” or “Respondent Aurora”) and Ronald F. McDonald III (“McDonald” or “Respondent McDonald”) (collectively, the “Respondents”) submitted applications to the Maryland Division of Securities (the “Division”) for registration as an investment adviser and as an investment adviser representative, respectively, in this State; and

WHEREAS, Respondent Aurora’s and McDonald’s applications for registration as an investment adviser and as an investment adviser representative in this State have been pending approval by the Division since April 2, 2014 and April 3, 2014, respectively; and

WHEREAS, the Maryland Securities Commissioner (the “Commissioner”) has found grounds to conclude that Respondents have engaged in acts or practices constituting violations of the investment adviser registration and antifraud provisions of the Act; and

WHEREAS, on May 21, 2015, the Commissioner issued an Order to Show Cause (the

“OSC”) requiring Respondents Aurora and McDonald to show cause why their applications for registration as an investment adviser and as an investment adviser representative, respectively, should not be denied; why Respondents Aurora and McDonald should not be barred permanently from engaging in the securities and investment advisory business in Maryland; and why a statutory penalty of up to \$5,000 per violation should not be entered against Respondents Aurora and McDonald; and

WHEREAS, the OSC provided that the failure to file an answer, including a request for a hearing, within fifteen (15) days of service of the OSC would result in the entry of an final order denying Respondent Aurora’s and McDonald’s applications for registration as an investment adviser and investment adviser representative, respectively, in Maryland, imposing on each Respondent a monetary penalty of up to \$5,000 per violation of the Act, and barring each Respondent from engaging in the securities or investment advisory business in Maryland for or on behalf of any others, or from acting as principal or consultant in any entity so engaged; and

WHEREAS, Respondents have failed to file a timely answer to the Order to Show Cause or to make a written request for a hearing; and

WHEREAS, the Commissioner finds that it is in the public interest to enter this Final Order of Denial and Bar;

NOW, THEREFORE, IT IS HEREBY ORDERED:

I. JURISDICTION

1. The Commissioner has jurisdiction in this proceeding pursuant to section 11-701.1 of the Act.

II. RESPONDENTS

2. At all times relevant to this matter, Aurora Investment Management Group LLC was

a Maryland limited liability company with a principal place of business in Easton, Maryland. Aurora was registered with the Division as an investment adviser from September 2, 2010 to December 31, 2011, at which time Aurora failed to renew its registration. In April 2014, Aurora reapplied for registration as an investment adviser, but its application has been pending since that time. Aurora is owned by McDonald.

3. At all times relevant to this matter, Ronald F. McDonald III was a resident of Easton, Maryland. McDonald is the sole principal of Aurora and, from September 2, 2010 to December 31, 2011, was registered with the Division as an investment adviser representative for Aurora. Prior to that time, from September 2003 to December 2003, McDonald was registered as a registered representative with FINRA and as a broker-dealer agent and investment adviser representative with the Division through his affiliation with Legg Mason Wood Walker, Inc.; from April 1999 to September 2003, McDonald was registered as a registered representative with FINRA and as a broker-dealer agent with the Division through his affiliation with Morgan Stanley DW, Inc. and as an investment adviser representative with Morgan Stanley DW, Inc. from August 2000 to September 2003; from January 1998 to April 1999, McDonald was registered as a registered representative with FINRA and as a broker-dealer agent with the Division through his affiliation with Bank of America Investment Services, Inc.; and from August 1993 to January 1998, McDonald was registered as a registered representative with FINRA and as a broker-dealer agent with the Division through his affiliation with NationsSecurities. McDonald also was the sole owner and principal of McDonald Investment Advisors.

III. FINDINGS OF FACT

4. On April 14, 2004, McDonald filed with the Division an application to register Ron McDonald d/b/a McDonald Investment Advisors (“MIA”) as an investment adviser.

5. On July 6, 2004, the Division issued an Order to Show Cause seeking the denial of MIA's application for investment adviser registration based upon its failure to submit a full and complete application, which indicated grounds for disqualification under section 11-412(a)(1) of the Act.

6. MIA failed to respond to the Order to Show Cause and, on or about July 27, 2004, the Division issued an Order of Denial of Investment Adviser Registration ("Order of Denial"), denying MIA's application for investment adviser registration.

7. In or about September 2009, McDonald formed Aurora for purposes of providing "investment management services."

8. On March 30, 2010, McDonald filed with the Division a Form ADV application to register Aurora as an investment adviser and a Form U4 application to register himself as an investment adviser representative.

9. An applicant for registration as an investment adviser or as an investment adviser representative is required to include in its Form ADV application or Form U4 application, respectively, information about the applicant's disciplinary history. As stated in Form ADV, the information is used by state and federal regulators to "determine whether to grant [an applicant's] application for registration, to decide whether to revoke [an applicant's] registration or to place limitations on [an applicant's] activities."

10. Item 11.D(3), (4), and (5) of Form ADV Part 1A requires an applicant for investment adviser registration to disclose whether any state regulatory authority has ever found the adviser or any advisory affiliate to have been a cause of an investment-related business having its authorization to do business denied, suspended, revoked, or restricted; entered, within the past ten years, an order against the adviser or any advisory affiliate in connection with an investment-related activity; or ever

denied, suspended, or revoked the adviser or any advisory affiliate's registration or license.

11. Item 14D(1)(c), (d) and (e) of Form U4 requires an applicant for investment adviser representative registration to disclose whether any state regulatory authority has ever found the applicant to have been a cause of an investment-related business having its authorization to do business denied, suspended, revoked or restricted; ever entered an order against the applicant in connection with an investment-related activity; or ever denied, suspended, or revoked the applicant's registration or license or otherwise, by order, prevented the applicant from associating with an investment-related business or restricted your activities.

12. In light of the Order of Denial issued against Ron McDonald d/b/a McDonald Investment Advisors, Respondents Aurora and McDonald should have answered Item 11.D(3), (4), and (5) of Form ADV Part 1A and Item 14D(1)(c), (d), and (e) of Form U4, respectively, in the affirmative.

13. However, in response to Item 11.D(3), (4) and (5) of Form ADV Part 1A, Aurora answered that a state regulatory authority had never found the adviser or any advisory affiliate to have been a cause of an investment-related business having its authorization to do business denied, suspended, revoked, or restricted; had not, within the past ten years, entered an order against the adviser or any advisory affiliate in connection with an investment-related activity; and had never denied, suspended, or revoked the adviser's or any advisory affiliate's registration or license.

14. Likewise, in response to Item 14D(1)(c), (d) and (e) of Form U4, McDonald answered that a state regulatory authority had never found the applicant to have been a cause of an investment-related business having its authorization to do business denied, suspended, revoked or restricted; had never entered an order against the applicant in connection with an investment-related activity; and had never denied, suspended, or revoked the applicant's registration or license or otherwise, by

order, prevented the applicant from associating with an investment-related business or restricted the applicant's activities.

15. Aurora's and McDonald's applications for registration as an investment adviser and as an investment adviser representative, respectively, which inaccurately represented Respondents' disciplinary history, were approved on September 2, 2010.

16. On March 31, 2011 and October 14, 2011, Aurora filed amendments to its Form ADV, but still failed to disclose the existence of the Order of Denial issued against Ron McDonald d/b/a McDonald Investment Advisors.

17. Aurora and McDonald remained registered with the Division until December 31, 2011, when they failed to renew their investment adviser and investment adviser representative registrations, respectively, with the Division.

18. On April 4, 2014, using a IARD number different than the IARD number used with its previous registration, Aurora filed with the Division an application for registration as an investment adviser. An application to register McDonald as an investment adviser representative also was filed.

19. As with its previous application for registration, despite the Order of Denial issued against Ron McDonald d/b/a McDonald Investment Advisors, Aurora and McDonald answered Item 11.D(3), (4) and (5) of Form ADV Part 1A and Item 14D(1)(c), (d) and (e) of Form U4 in the negative.

20. On or about April 30, 2014, the Division sent Respondents a letter notifying them of deficiencies in their applications that required amendment before their registration applications could be approved.

21. Respondents failed to respond to the deficiency letter and a subsequent deficiency

dated August 14, 2014, and failed to file the amendments necessary to cure the deficiencies in their applications.

22. Respondents also failed to respond to a subpoena duces tecum issued by the Commissioner on February 2, 2015.

23. Respondents' website, <http://investwithaurora.com>, is still active and claims that Aurora offers "portfolio management service: accumulating & preserving wealth," "retirement plan management: investment advice, education & care," and "portfolio advisory service: unbiased advice for better choices."

24. Respondents' website further claims that "Aurora Investment Management Group, L.L.C. ("Aurora") is a registered investment advisor in Maryland, Virginia and the District of Columbia." However, Aurora is not now registered in Maryland and, according to the Investment Adviser Registration Depository system, has never been registered as an investment adviser in Virginia or the District of Columbia.

IV. CONCLUSIONS OF LAW

The Commissioner concludes that:

25. Respondents violated section 11-302(c) of the Act by misrepresenting, through Aurora's website, that Aurora is registered as an investment adviser in Maryland, Virginia, and the District of Columbia.

26. Respondents violated section 11-302(a)(3) of the Act by engaging in dishonest and unethical practices including, but not limited to, filing with the Division registration applications containing misrepresentations and misrepresenting Respondent Aurora's registration status to the public.

27. Respondents violated section 11-411(d) of the Act by failing to amend their Form ADV to disclose the Order of Denial.

28. Respondents violated section 11-303 of the Act by filing with the Division registration applications containing false and misleading statements.

29. Respondents violated section 11-401 of the Act by transacting business as an unregistered investment adviser or as an investment adviser representative.

30. Respondents filed with the Division registration applications that were incomplete in a material respect, and grounds exist under section 11-412(a)(1) of the Act to deny Respondent Aurora's and McDonald's investment adviser and investment adviser representative registration applications, respectively.

31. Respondent Aurora and/or McDonald willfully violated or willfully failed to comply with sections 11-302(a)(3) and (c), 11-303, 11-401(b), and 11-411 (d) of the Act, and grounds exist under 11-412(a)(2) of the Act to deny Respondent Aurora's and McDonald's investment adviser and investment adviser representative registration applications, respectively.

32. Respondent McDonald is the subject of an order of the Commissioner denying his registration as an investment adviser, and grounds exist under section 11-412(a)(5) of the Act to deny his investment adviser representative registration applications.

33. Respondent Aurora and McDonald engaged in dishonest and unethical practices by, among other things, filing with the Division registration applications containing misleading information, and grounds exist under section 11-412(a)(7) of the Act to deny Respondent Aurora's and McDonald's investment adviser and investment adviser representative registration applications, respectively; and

V. SANCTIONS

34. NOW, THEREFORE, IT IS HEREBY ORDERED that:

a. Respondent Aurora's application for registration as an investment adviser in Maryland is denied.

b. Respondent McDonald's application for registration as an investment adviser representative in Maryland is denied.

c. Each Respondent is permanently barred from engaging in the securities or investment advisory business in Maryland for or on behalf of any others, or from acting as principal or consultant in any entity so engaged.

d. Respondents, jointly and severally, are assessed a civil monetary penalty pursuant to section 11-702 of the Act in the amount of \$20,000 for the violations set forth in this Order. Said penalty shall be paid within ninety days of the date of this Order. Payment shall be by certified check payable to the Office of the Attorney General.

VI. JURISDICTION RETAINED

35. Jurisdiction shall be retained by the Commissioner for such further orders and directions as may be necessary or appropriate for the construction or enforcement of this Order.

VII. APPEAL RIGHTS

Respondent may appeal this Final Order of Denial and Bar to the appropriate Circuit Court of the State of Maryland within 30 days from the date this Order is mailed by the Securities

Division.

SO ORDERED:

**Commissioner's Signature on File
w/Original Document**

July 17, 2015

Melanie Senter Lubin
Maryland Securities Commissioner