U. S. Securities and Exchange Commission
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News Release

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ADMINISTRATIVE PROCEEDINGS INSTITUTED AGAINST AURA SYSTEMS, INC., ZVI KURTZMAN, FRANCIS PHALEN AND JOSEPH BEVACQUA

Washington, D.C., October 2, 1996 -- The Securities and Exchange Commission has issued a Cease and Desist Order by consent against Aura Systems, Inc., its President Zvi Kurtzman, its former Chief Financial Officer Francis T. Phalen and Joseph Bevacqua. The Order finds that during Aura's 1993 and 1994 fiscal years Kurtzman and Phalen caused Aura to violate the reporting and recordkeeping provisions of the federal securities laws by failing to disclose the circumstances of a series of "window dressing" transactions on which Aura recorded material amounts of revenue. The Order also finds that in another transaction Kurtzman, Phalen and Aura violated the antifraud, reporting and recordkeeping provisions of the securities laws by knowingly falsifying documents and recording revenue from a sham transaction on Aura's financial statements for the third quarter of its 1994 fiscal year. The Order finds that Bevacqua also knowingly falsified records and caused Aura to violate the reporting and recordkeeping provisions in connection with that transaction. According to the Order, Aura's 1993 and 1994 annual reports, its quarterly reports for each quarter of fiscal 1994, and two registration statements Aura filed with the Commission were materially false or misleading as a result.

The Order finds that Aura, a developer and marketer of products using proprietary electromagnetic technology and other microwave technology, made a strategic decision in the early 1990s to attempt to replace declining military demand for its products by developing commercial applications for its technologies. According to the Order, during 1993 and 1994 Aura recognized material amounts of revenue from "window dressing" transactions in which it purchased and resold computer monitors for small losses without performing any "value-added" service. Although those transactions did not involve Aura's products or proprietary technology, they accounted for 22% and 30% of Aura's revenues in its 1993 and 1994 fiscal years, respectively. The Order finds that material facts concerning those transactions were not discussed in the Description of Business or in the Management's Discussion and Analysis sections of Aura's annual and quarterly reports. On the contrary, the Order

finds that Aura made false or misleading statements that its financial results evidenced its success in developing commercial markets for its products.

The Order also finds that during the third quarter of its 1994 fiscal year Aura entered into a sham transaction with a small drywall contractor for which Bevacqua was acting as a consultant and that Aura used the sham transaction as the basis for improperly recording $1.1 million in revenue. The Order finds that Kurtzman, Phalen and Bevacqua prepared false documents to create the appearance that the transaction was a valid sale, when in fact it was not. The Order also finds that Bevacqua assisted Aura in executing a series of transactions that made it appear that the drywall contractor had paid Aura $1.1 million for this transaction. In fact the contractor was simply returning funds previously routed to it by Aura through a third party. The Order finds that the false records described above were made available to Aura's auditors during the audit of Aura's 1994 financial statements.

Simultaneously with the institution of the proceedings, each of the Respondents submitted Offers of Settlement pursuant to which they consent to the entry of the Commission order without admitting or denying the Commission's findings. The Commission found that Aura violated, and ordered it to cease and desist from committing or causing any violation and any future violation of Section 17(a) of the Securities Act of 1933 and Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Securities and Exchange Act of 1934 and Rules 10b-5, 12b-20, 13a-1 and 13a-13 thereunder. It found that Kurtzman and Phalen violated, and ordered them to cease and desist from committing or causing any violation or any future violation of Section 17(a) of the Securities Act and Sections 10(b) and 13(b)(5) of the Exchange Act and Rules 10b-5, 13b2-1 and 13b2-2 thereunder, and from causing any violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13. In addition, the Order found that Bevacqua violated, and ordered him to cease and desist from committing or causing any violation or any future violation of Section 13(b)(5) of the Exchange Act and Rule 13b2-1 thereunder, and from causing any violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20 and 13a-13. Finally, the Commission denied Phalen and Bevacqua, pursuant to Rule 102(e)(1)(iii) of the Commission's Rules of Practice, the privilege of appearing or practicing before the Commission as an accountant, provided they may apply after three years to resume appearing or practicing.

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