

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934

Release No. 102379 / February 7, 2025

ADMINISTRATIVE PROCEEDING

File No. 3-22451

In the Matter of

**CENTAURUS FINANCIAL, INC.,
DEBBIE M. CAVANAUGH,
MICHAEL Y. HAMILTON,
DANA MATTHEW HAWKINS, and
TIMOTHY N. TREMBLAY,**

Respondents.

**ORDER INSTITUTING
ADMINISTRATIVE AND CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTIONS 15(b) AND 21C OF THE
SECURITIES EXCHANGE ACT OF 1934,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS AND A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Centaurus Financial, Inc. (“Centaurus”), Debbie M. Cavanaugh (“Cavanaugh”), Michael Y. Hamilton (“Hamilton”), Dana Matthew Hawkins (“Hawkins”), and Timothy N. Tremblay (“Tremblay”) (collectively, the “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (“Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V. for Respondents Cavanaugh, Hamilton, Hawkins, and Tremblay, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondents' Offers, the Commission finds¹ that:

Summary

1. Between June 30, 2020, the compliance date for Regulation Best Interest ("Regulation BI"), and approximately April 16, 2021 (the "Relevant Period"), Respondents did not comply with Regulation BI in connection with their recommendations of corporate bonds called "L Bonds" offered by GWG Holdings, Inc. ("GWG") to certain retail customers. According to GWG's disclosures during the Relevant Period: (a) L Bond investments involved a high degree of risk, including the risk of losing an investor's entire investment; (b) L Bond investments may be considered speculative; (c) L Bond investments were only suitable for investors with substantial financial resources and no need for liquidity in the investment; and (d) GWG may use a portion of the L Bond proceeds to repay existing L Bond holders.

2. Despite these disclosures, Centaurus and its registered representatives - Respondents Cavanaugh, Hamilton, Hawkins and Tremblay, recommended the purchase of L Bonds to 18 retail customers for whom Respondents did not have a reasonable basis to believe that the recommendations were in those customers' best interest based on those customers' investment profiles and the potential risks, rewards, and costs associated with the L Bonds. As a result, Centaurus, Cavanaugh, Hamilton, Hawkins and Tremblay did not comply with the Customer-Specific Prong of Regulation BI's Care Obligation found in Exchange Act Rule 15l-1(a)(2)(ii)(B).

3. Centaurus also did not reasonably enforce its own written policies and procedures requiring personnel to take training related to Regulation BI and training related to a 2020 Offering of GWG L Bonds. As a result, Centaurus did not comply with Regulation BI's Compliance Obligation found in Exchange Act Rule 15l-1(a)(2)(iv).

4. By not complying with these Regulation BI component obligations, the Respondents each willfully² violated Regulation BI's General Obligation found in Exchange Act Rule 15l-1(a)(1).

¹ The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

² "Willfully," for purposes of imposing relief under Section 15(b) of the Exchange Act "means no more than that the person charged with the duty knows what he is doing." *See Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965).

Respondents

5. Centaurus Financial, Inc. is a California corporation headquartered in Anaheim, California. Centaurus has been registered with the Commission as a broker-dealer since January 1993 and as an investment adviser since October 1999. Centaurus has over 500 registered representatives and investment adviser representatives located in more than 380 branch offices throughout the United States.

6. Debbie M. Cavanaugh, age 69, is a resident of Kalispell, Montana. Since February 2020, Cavanaugh has been a registered representative, investment adviser representative, and branch manager at Centaurus. Cavanaugh had been associated with other registered broker-dealers and investment advisers since 1987.

7. Michael Y. Hamilton, age 55, is a resident of Cape Coral, Florida. Since 2015, Hamilton has been a registered representative and investment adviser representative at Centaurus. Hamilton had been associated with other registered broker-dealers and investment advisers since 1990.

8. Dana Matthew Hawkins, age 49, is a resident of Columbia, South Carolina. Since 2015, Hawkins has been a registered representative, and later an investment adviser representative at Centaurus. Hawkins had been associated with other registered broker-dealers and investment advisers since 2009.

9. Timothy N. Tremblay, age 71, is a resident of Santa Barbara, California. Since 2003, Tremblay has been a registered representative, investment adviser representative, and a branch manager at Centaurus. Tremblay had been associated with other registered broker-dealers and investment advisers since 1983.

Facts

A. GWG L Bonds

10. GWG was a publicly traded financial services company. Prior to 2018, GWG's business model involved acquiring life insurance policies in the secondary market. Following several corporate transactions in 2018 and 2019 with the Beneficient Company Group, L.P. ("Beneficient"), GWG reoriented its business to focus on Beneficient's business model of providing liquidity to holders of illiquid investments and alternative assets.

11. GWG had a history of net losses and had not generated sufficient operating and investing cash flows to fund its operations. GWG and Beneficient both posted annual net losses from operations during 2018 and 2019 that exceeded \$79 million for GWG and \$165 million for Beneficient. As of December 31, 2019, approximately 65% of GWG's total assets consisted of Beneficient's goodwill.

12. GWG depended on financing – primarily debt financing, such as through the sale of L Bonds – to fund its operations. Since 2012, GWG had raised funds for its operations by selling L Bonds to retail customers through a nationwide network of broker-dealers. The L

Bonds were an illiquid investment and were not rated by any bond rating agency.

13. In June 2020, GWG started a new offering (“2020 Offering”) under which it planned to issue up to \$2 billion of L Bonds pursuant to a prospectus (“2020 Prospectus”). The L Bonds offered pursuant to the 2020 Prospectus had possible maturity dates of two years, three years, five years, or seven years. The 2020 Prospectus disclosed, among other things, that: (i) the L Bonds involved a “high degree of risk,” including the risk of losing one’s entire investment; (ii) the L Bonds “may be considered speculative”; (iii) GWG may use a portion of the L Bond proceeds to repay existing L Bond holders; and (iv) the “L Bonds are only suitable for persons with substantial financial resources and with no need for liquidity in this investment.”

14. GWG temporarily ceased the sale of L Bonds in April of 2021 because it was unable to file its Form 10-K for the year ended December 31, 2020 (“2020 Form 10-K”). GWG subsequently filed its 2020 Form 10-K on November 5, 2021 and resumed selling L Bonds shortly after issuing a supplement to the 2020 Prospectus.

15. Centaurus and its registered representatives recommended L Bonds from at least June 2020 through April 2021. Centaurus set an L Bonds concentration limit of the lesser of \$150,000 or 10% of a customer’s net worth. Centaurus did not set any other restrictions on L Bonds sales. Centaurus did not allow its registered representatives to recommend L Bonds after April 2021.

16. Centaurus was a significant seller of L Bonds to its retail customers from June 2020 to April 2021. Cavanaugh recommended and sold approximately \$735,000, Hamilton recommended and sold approximately \$590,000, Hawkins recommended and sold approximately \$3.139 million, and Tremblay recommended and sold approximately \$1.964 million of L Bonds to retail customers during the Relevant Period.

17. Centaurus received a commission for each L Bond sold to the customers noted below depending on the term of the L Bond. Centaurus paid Respondents Cavanaugh, Hamilton, Hawkins and Tremblay a portion of the commissions Centaurus received on the sales noted below based on contractual obligations. Centaurus alone also received additional compensation in the form of a reallowance fee of 1% of the total value of each L Bond sold.

18. On January 18, 2022, GWG filed a Form 8-K with a “Date of Report” of January 15, 2022, which stated that it had again suspended sale of L Bonds on January 10, 2022 and that it did not make the January 15, 2022 interest payments and principal payments on outstanding L Bonds.

19. On April 20, 2022, GWG filed for Chapter 11 bankruptcy.

B. Respondents Did Not Comply with the Customer-Specific Prong of Regulation BI’s Care Obligation.

20. The Customer-Specific Prong of Regulation BI’s Care Obligation requires a broker-dealer or its associated person (including a registered representative), in making a recommendation of any securities transaction or investment strategy involving securities to a retail customer, to exercise reasonable diligence, care, and skill to have a reasonable basis to

believe the recommendation is in the best interest of a particular retail customer based on the customer's investment profile and the potential risks, rewards, and costs associated with the recommendation. Exchange Act Rule 15l-1(a)(2)(ii)(B).

21. During the Relevant Period, Centaurus and Cavanaugh recommended \$110,000 in L Bonds to four retail customers for whom they did not have a reasonable basis to believe that the L Bonds were in the customers' best interest. The totality of these retail customers' circumstances, which included factors such as their ages, investment objectives and risk tolerances, net worth, and need for liquidity, were generally inconsistent with high-risk, potentially speculative, illiquid investments such as L Bonds. Each of these customers had a growth investment objective and a moderate risk tolerance and invested in L Bonds based on Cavanaugh's recommendation. Information about these retail customers and their Centaurus accounts is summarized in paragraphs 22 to 25 below.

22. **Customer 1** – Customer 1 was 49 years old at the time she purchased L Bonds. She reported annual income of between \$25,000 and \$50,000, and net worth of between \$250,000 and \$500,000. Customer 1 identified her investment objective as growth, her risk tolerance as moderate, and her liquidity needs as somewhat important. Cavanaugh recommended that Customer 1 purchase \$20,000 in 5-year L Bonds, which she purchased in August 2020.

23. **Customers 2** – Customers 2, a married couple, were 58 and 59 years old at the time they purchased L Bonds. They reported annual income of between \$100,000 and \$250,000, and net worth of between \$250,000 and \$500,000. They identified their investment objective as growth, their risk tolerance as moderate, but did not identify their liquidity needs as a concern. Cavanaugh recommended that they purchase \$20,000 in five-year L Bonds, which they purchased in August 2020, and later Cavanaugh recommended that they purchase \$30,000 more in 5-year L Bonds, which they purchased in January 2021, for a total investment of \$50,000 in L Bonds.

24. **Customer 3** – Customer 3 was a family trust. The trustees, who were then the beneficiaries of the trust, were 78 at the time the trust purchased L Bonds. The trustees reported they had annual income of between \$25,000 and \$50,000, and net worth of between \$250,000 and \$500,000. The trustees identified the trust's investment objective as growth, its risk tolerance as moderate, but did not identify liquidity needs as a concern. Cavanaugh recommended that Customer 3 purchase \$25,000 in 5-year L Bonds, which the trust purchased in July 2020.

25. **Customer 4** – Customer 4 was 79 years old at the time she purchased L Bonds. She reported annual income of between \$25,000 and \$50,000, and net worth of between \$100,000 and \$250,000. Customer 4 identified her investment objective as growth, her risk tolerance as moderate, and her liquidity needs as somewhat important. Cavanaugh recommended that Customer 4 purchase \$15,000 in 5-year L Bonds, which she purchased in August 2020.

26. During the Relevant Period, Centaurus and Hamilton recommended \$142,000 in L Bonds to five retail customers for whom they did not have a reasonable basis to believe that the L Bonds were in the customers' best interest. The totality of these retail customers' circumstances, which included factors such as their ages, investment objectives and risk

tolerances, net worth, and need for liquidity, were generally inconsistent with high-risk, potentially speculative, illiquid investments such as L Bonds. Each of the retail customers had an income or growth investment objective and a moderate risk tolerance, and invested in L Bonds based on Hamilton's recommendation. Information about these retail customers and their Centaurus accounts is summarized in paragraphs 27 to 31 below.

27. **Customer 1** – Customer 1 was a family trust. The trust's then beneficiary was 92 years old at the time the trust purchased L Bonds. The trust reported the beneficiary had annual income of between \$50,000 and \$75,000, and net worth of between \$250,000 and \$500,000. Customer 1 identified the trust's investment objective as both income/retirement income and growth, its risk tolerance as moderate, and its liquidity needs as somewhat important. Hamilton recommended that the Customer 1 purchase \$56,000 in equal amounts of 2, 3, 5 and 7-year L Bonds, which the trust purchased in August 2020.

28. **Customer 2** – Customer 2 was 64 years old at the time she purchased L Bonds. She reported annual income between \$75,000 and \$100,000, and net worth between \$250,000 and \$500,000. Customer 2 identified her investment objective as growth, her risk tolerance as moderate, and her liquidity needs as somewhat important. Hamilton recommended that Customer 2 purchase \$36,000 in equal amounts of 2, 3, 5 and 7-year L Bonds, which she purchased in March 2021.

29. **Customer 3** – Customer 3 was 84 years old at the time she purchased L Bonds. She reported annual income of between \$25,000 and \$50,000, and net worth between \$100,000 and \$250,000. Customer 3 identified her investment objectives as income, retirement income and growth, her risk tolerance as moderate, and her liquidity needs as somewhat important. Hamilton recommended that Customer 3 purchase \$10,000 in 2-year L Bonds, which she purchased in November 2020.

30. **Customers 4** – Customers 4, a married couple, were 86 and 78 years old at the time they purchased more L Bonds. They reported annual income of between \$250,000 and \$500,000, and net worth between \$250,000 and \$500,000. Customers 4 identified their investment objective as both income/retirement income and growth, their risk tolerance as moderate, and their liquidity needs as somewhat important. They already owned \$40,000 of 3-year L Bonds, when Hamilton recommended that Customers 4 purchase \$25,000 more of 3-year L Bonds, which they purchased in February 2021, for a total investment of \$65,000 in L Bonds.

31. **Customer 5** – Customer 5 was 65 years old at the time he purchased more L Bonds. He reported annual income of between \$50,000 and \$75,000, and net worth of between \$500,000 and \$999,000. Customer 5 identified his investment objective as both income/retirement income and growth, his risk tolerance as moderate, and his liquidity needs as somewhat important. Customer 5 already owned \$33,000 of 7-year L Bonds when Hamilton recommended that he purchase \$15,000 more of 3-year L Bonds, which he purchased in January 2021, for a total investment of \$48,000 in L Bonds.

32. During the Relevant Period, Centaurus and Hawkins recommended \$64,000 in L Bonds to five retail customers for whom they did not have a reasonable basis to believe that the L Bonds were in the customers' best interest. The totality of these retail customers'

circumstances, which included factors such as their ages, investment objectives and risk tolerances, net worth, and need for liquidity, were generally inconsistent with high-risk, potentially speculative, illiquid investments such as L Bonds. Each of the retail customers had a growth or income investment objective and moderate or conservative risk tolerance, and invested in L Bonds based on Hawkins's recommendation. Information about these retail customers and their Centaurus accounts is summarized in paragraphs 33 to 37 below.

33. **Customer 1** – Customer 1 was 78 years old at the time she purchased L Bonds. She reported annual income of between \$25,000 and \$50,000, and net worth of between \$100,000 and \$250,000. Customer 1 identified her investment objective as growth, her risk tolerance as conservative, and her liquidity needs as important. Hawkins recommended that Customer 1 purchase \$10,000 in 2-year L Bonds, which she purchased in January 2021.

34. **Customer 2** – Customer 2 was 73 years old at the time of she purchased L Bonds. She reported annual income of between \$25,000 and \$50,000, and net worth of between \$100,000 and \$250,000. Customer 2 identified her investment objective as both income/retirement income and growth, her risk tolerance as conservative, and her liquidity needs as somewhat important. Hawkins recommended that Customer 2 purchase \$13,000 in 5-year L Bonds, which she purchased in September 2020.

35. **Customer 3** – Customer 3 was 72 years old at the time he purchased L Bonds. He reported annual income of between \$75,000 and \$100,000, and net worth of between \$100,000 and \$250,000. Customer 3 identified his investment objective as both income/retirement income and growth, his risk tolerance as moderate, and his liquidity needs as somewhat important. Hawkins recommended that Customer 3 purchase \$11,000 in 3-year L Bonds, which he purchased in September 2020.

36. **Customer 4** – Customer 4 was 76 years old at the time she purchased L Bonds. She reported annual income of between \$25,000 and \$50,000, and net worth of between \$100,000 and \$250,000. Customer 4 identified her investment objective as both income/retirement income and growth, her risk tolerance as moderate, and her liquidity needs as somewhat important. Hawkins recommended that Customer 4 purchase \$10,000 in 3-year L Bonds, which she purchased in November 2020.

37. **Customer 5** – Customer 5 was 68 years old at the time he purchased L Bonds. He reported annual income of between \$25,000 and \$50,000, and net worth of between \$100,000 and \$250,000. Customer 5 identified his investment objective as both income/retirement income and growth, his risk tolerance as moderate, and his liquidity needs as somewhat important. Hawkins recommended that Customer 5 purchase \$20,000 in equal amounts of 2-year and 5-year L Bonds, which he purchased in December 2020.

38. During the Relevant Period, Centaurus and Tremblay recommended \$115,000 in L Bonds to four retail customers for whom they did not have a reasonable basis to believe that the L Bonds were in the customers' best interest. The totality of these retail customers' circumstances, which included factors such as their ages, investment objectives and risk tolerances, net worth, and need for liquidity, were generally inconsistent with high-risk, potentially speculative, illiquid investments such as L Bonds. Each of the retail customers had a

growth or income investment objective, a moderate or conservative risk tolerance, and invested in L Bonds based on Tremblay's recommendation. Information about these retail customers and their Centaurus accounts is summarized in paragraphs 39 to 42 below.

39. **Customer 1** – Customer 1 was 29 years old at the time of she purchased L Bonds. She reported annual income of between \$50,000 and \$75,000, and net worth of between \$100,000 and \$250,000. Customer 1 identified her investment objective as growth, her risk tolerance as moderate, and her liquidity needs as important. Tremblay recommended that Customer 1 purchase \$10,000 in 2-year L Bonds, which she purchased in September 2020.

40. **Customer 2** – Customer 2 was 34 years old at the time he purchased L Bonds. He reported annual income between of \$100,000 and \$250,000, and net worth of between \$250,000 and \$500,000. Customer 2 identified his investment objective as both income/retirement income and growth, his risk tolerance as moderate, and his liquidity needs as somewhat important. Tremblay recommended that Customer 2 purchase \$10,000 in 7-year L Bonds, which he purchased in November 2020.

41. **Customer 3** – Customer 3 was 56 years old at the time he purchased L Bonds. He reported annual income of between \$50,000 and \$75,000, and net worth of between \$100,000 and \$250,000. Customer 3 identified his investment objective as both growth and aggressive growth/speculation, his risk tolerance as conservative, and his liquidity needs as somewhat important. Tremblay recommended that Customer 3 purchase \$10,000 in 7-year L Bonds, which he purchased in September 2020.

42. **Customer 4** – Customer 4 was 86 years old at the time he purchased L Bonds. Customer 4 had two Centaurus accounts. He reported annual income of between \$100,000 and \$250,000, and net worth of between \$500,000 and \$999,999. For one account, Customer 4 identified his investment objective as growth, his risk tolerance as moderate, and his liquidity needs as somewhat important, and for the second account, he identified his investment objective as growth, his risk tolerance as moderately aggressive, and his liquidity needs as somewhat important. Tremblay recommended that Customer 4 purchase \$56,000 of 7-year L Bonds for the first account, and \$29,000 in 7-year L Bonds for the second account, which he purchased in August 2020, for a total L Bonds investment of \$85,000.

43. These recommendations were not in the best interest of these retail customers and Respondents Centaurus, Cavanaugh, Hamilton, Hawkins, and Tremblay did not comply with the Customer-Specific Prong of Regulation BI's Care Obligation for these recommendations.

C. Centaurus Did Not Comply with Regulation BI's Compliance Obligation.

44. Regulation BI's Compliance Obligation requires broker-dealers to establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Regulation BI. Exchange Act Rule 15l-1(a)(2)(iv).

45. Centaurus utilized a third-party consultant to assist in the creation of new Regulation BI policies and procedures during late 2019 and 2020. Centaurus also used that consultant to create and provide a training course on Regulation BI which Centaurus' newly

designed written policies and procedures required its registered representatives and supervisors to complete by August 31, 2020. However, Centaurus did not reasonably enforce this policy because approximately 35% of its registered representatives did not complete the firm-mandated training by August 31, 2020. The remaining registered representatives completed the training in the following months, with the last registered representatives completing the training in December 2020. Centaurus did not impose any restrictions on those who did not timely complete the Regulation BI training.

46. In addition, Centaurus used a consultant to provide updated training for its registered representatives and supervisors concerning the 2020 Offering (“2020 Offering L Bond Training”). Centaurus’s written policies and procedures required its registered representatives to take this training before recommending L Bonds in the 2020 Offering to their retail customers. However, Centaurus did not reasonably enforce this policy, and as a result, many registered representatives, including Respondents Cavanaugh, Hamilton, and Hawkins, recommended L Bonds in the 2020 Offering to their retail customers before having completed the 2020 Offering L Bond Training as Centaurus required.

47. By not reasonably enforcing its own written policies and procedures requiring its personnel to take the Regulation BI training and to take the 2020 Offering L Bond Training, Centaurus did not comply with Regulation BI’s Compliance Obligation.

Violations

48. As a result of the conduct described above, Respondents did not comply with the Customer-Specific Prong of Regulation BI’s Care Obligation, *see* Exchange Act Rule 15l-1(a)(2)(ii)(B), and Centaurus did not comply with the Compliance Obligation of Regulation BI, *see* Exchange Act Rule 15l-1(a)(2)(iv). By not doing so, Respondents willfully violated Regulation BI’s General Obligation, which requires a broker-dealer and its associated person, when making a recommendation of any securities transaction or investment strategy involving securities to a retail customer, to act in the best interest of the retail customer without placing the financial or other interest of the broker-dealer or its associated person making the recommendation ahead of the interest of the retail customer. *See* Exchange Act Rule 15l-1(a)(1).

Disgorgement and Prejudgment Interest

49. The disgorgement and prejudgment interest ordered in Sections IV.C. through IV.G. below are consistent with equitable principles and do not exceed Respondents’ net profits from their violations and will be distributed to the Centaurus retail customers listed in paragraphs 21 to 42 above who purchased L Bonds between June 30, 2020 and March 1, 2021 (the “Affected Customers”) to the extent feasible. Upon approval of the distribution final accounting by the Commission, any amounts remaining that are infeasible to return to Affected Customers, and any amounts returned to the Commission in the future that are infeasible to return to Affected Customers, may be transferred by the Commission to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents' Offers.

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act as to Respondents Centaurus, Cavanaugh, Hamilton, Hawkins, and Tremblay, it is hereby ORDERED that:

A. Respondents Centaurus, Cavanaugh, Hamilton, Hawkins, and Tremblay cease and desist from committing or causing any violations and any future violations of Rule 15l-1(a)(1) under the Exchange Act.

B. Respondents Centaurus, Cavanaugh, Hamilton, Hawkins, and Tremblay are censured.

C. Respondent Centaurus shall pay disgorgement of \$6,407, prejudgment interest of \$1,551.55, and a civil money penalty of \$160,000 within 15 days after the entry of this Order, and consistent with Section IV.I. below.

D. Respondent Cavanaugh shall pay disgorgement of \$4,883.56, prejudgment interest of \$1,196.87, and a civil money penalty of \$12,500 within 15 days after the entry of this Order, and consistent with Section IV.I. below.

E. Respondent Hamilton shall pay disgorgement of \$5,204.30, prejudgment interest of \$1,240.74, and a civil money penalty of \$12,500 within 15 days after the entry of this Order, and consistent with Section IV.I. below.

F. Respondent Hawkins shall pay disgorgement of \$1,122.49, prejudgment interest of \$259.28, and a civil money penalty of \$12,500 within 15 days after the entry of this Order, and consistent with Section IV.I. below.

G. Respondent Tremblay shall pay disgorgement of \$6,060.50, prejudgment interest of \$1,454.99, and a civil money penalty of \$12,500 within 15 days after the entry of this Order, and consistent with Section IV.I. below.

H. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended, a Fair Fund is created for the disgorgement, prejudgment interest, and penalties referenced in Sections IV.C. through IV.G. above, for distribution to Affected Customers. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalties, Respondents Centaurus, Cavanaugh, Hamilton, Hawkins and Tremblay agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of their payment of a civil penalties in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within thirty (30) days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this

action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalties imposed in this proceeding. For purposes of this paragraph, a “Related Investor Action” means a private damages action brought against any Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

I. According to the payment schedules set forth in Sections IV.C through IV.G. above, Respondents shall deposit the respective amounts of the disgorgement, prejudgment interest, and civil penalty as stated in Sections IV.C. through IV. G. above, (the “Fair Fund”) into an escrow account established by Centaurus at a financial institution not unacceptable to the Commission staff and Respondents shall provide the Commission staff with evidence of each such deposit in a form acceptable to the Commission staff. The account holding the assets of the Fair Fund shall bear the name and taxpayer identification number of the Fair Fund. If timely payment into the escrow account is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600 [17 C.F.R. § 201.600] and/or 31 U.S.C. § 3717.

J. Respondent Centaurus shall be responsible for administering the Fair Fund and may hire a professional at its own cost to assist in the administration of the distribution. The costs and expenses of administering the Fair Fund, including any such professional services, shall be borne by Respondent Centaurus and shall not be paid out of the Fair Fund.

K. Respondent Centaurus shall distribute from the Fair Fund an amount representing the disgorgement, prejudgment interest, and civil penalty described in Sections IV.C. through IV.G. to the Affected Customers for fees and losses suffered as a result of the conduct discussed in this Order, in proportion to the principal amount of L Bonds purchased during the Relevant Period, less interest received, and pursuant to a disbursement calculation (the “Calculation”) that will be submitted to, reviewed, and approved by the Commission staff in accordance with this Section IV. No portion of the Fair Fund shall be paid to any Affected Customer accounts in which Respondents, any of their current or former officers or directors, or any other Centaurus employees or associated persons, have a financial interest.

L. Respondent Centaurus shall, within sixty (60) days from the date of final payment under this Order, submit a calculation to the Commission staff for review and approval. At or around the time of submission of the proposed Calculation to the staff, Respondent Centaurus shall make itself available, and shall require any third-parties or professionals retained by Respondent Centaurus to assist in formulating the methodology for its Calculation and/or administration of the distribution to be available, for a conference call with the Commission staff to explain the methodology used in preparing the proposed Calculation and its implementation, and/or the administration of the distribution, and to provide the staff with an opportunity to ask questions. Respondent Centaurus also shall provide the Commission staff such additional information and supporting documentation as the Commission staff may request for the purpose of its review. In the event of one or more objections by the Commission staff to Respondent Centaurus’s proposed Calculation or any of its information or supporting documentation, Respondent Centaurus shall submit a revised Calculation for the review and approval of the Commission staff or additional information or supporting documentation within ten (10) days of

the date the Commission staff notifies Respondent Centaurus of the objection. The revised Calculation shall be subject to all of the provisions of this Section IV.

M. Respondent Centaurus shall, within thirty (30) days of the written approval of the Calculation by the Commission staff, submit a payment file (the "Payment File") for review and acceptance by the Commission staff demonstrating the application of the methodology to each Affected Customer. The Payment File should identify, at a minimum, (1) the name of each Affected Customer and (2) the net amount of the payment to be made, less any tax withholding. Respondent Centaurus shall exclude from the payee file all payments to payees that appear on the U.S. Treasury Department Specially Designated Nationals List.

N. Respondent Centaurus shall disburse all amounts payable to Affected Customers within one hundred eighty (180) days of the date the Commission staff accepts the Payment File, unless such time period is extended as provided in Paragraph R of this Section IV. Respondent Centaurus shall notify the Commission staff of the date(s) and the amounts paid in the initial distribution.

O. If Respondent Centaurus is unable to distribute or return any portion of the Fair Fund for any reason, including an inability to locate an Affected Customer or a beneficial owner of an Affected Customer or any other factors beyond Respondent Centaurus's control, Respondent Centaurus shall transfer any such undistributed funds to the Commission for transmittal to the United States Treasury in accordance with Section 21F(g)(3) of the Exchange Act once the distribution of funds is complete and before the final accounting provided for in Paragraph Q of this Section IV is submitted to the Commission staff.

Payment must be made in one of the following ways:

- (1) Respondent Centaurus may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent Centaurus may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.html>; or
- (3) Respondent Centaurus may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying the payor as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Amy S. Cotter, Assistant Director,

Division of Enforcement, Securities and Exchange Commission, 175 West Jackson Blvd., Suite 1450, Chicago, IL 60604.

P. A Fair Fund is a Qualified Settlement Fund (“QSF”) under Section 468B(g) of the Internal Revenue Code (“IRC”), 26 U.S.C. §§ 1.468B.1-1.468B.5. Respondent Centaurus agrees to be responsible for all tax compliance responsibilities associated with the Fair Fund’s status as a QSF. These responsibilities involve reporting and paying requirements of the Fair Fund, including but not limited to: (1) tax returns for the Fair Fund; (2) information return reporting regarding the payments to customers, as required by applicable codes and regulations; and (3) obligations resulting from compliance with the Foreign Account Tax Compliance Act (FATCA). Respondent Centaurus may retain any professional services necessary. The costs and expenses of tax compliance, including any such professional services, shall be borne by Respondent Centaurus and shall not be paid out of the Fair Fund.

Q. Within one hundred fifty (150) days after Respondent Centaurus completes the disbursement of all amounts payable to Affected Customers, Respondent Centaurus shall return all undisbursed funds to the Commission pursuant to the instructions set forth in this Section IV.O. Respondent Centaurus shall then submit to the Commission staff a final accounting and certification of the disposition of the Fair Fund for Commission approval, which final accounting and certification shall include, but not be limited to: (1) the amount paid to each payee; (2) the date of each payment; (3) the check number or other identifier of the money transferred; (4) the amount of any returned payment and the date received; (5) a description of the efforts to locate a prospective payee whose payment was returned or to whom payment was not made for any reason; (6) the total amount, if any, to be forwarded to the Commission for transfer to the United States Treasury; and (7) an affirmation that Respondent Centaurus has made payments from the Fair Fund to Affected Customers in accordance with the Calculation approved by the Commission staff. The final accounting and certification shall be submitted under a cover letter that identifies Respondent Centaurus and the file number of these proceedings to Amy S. Cotter, Assistant Director, Division of Enforcement, Securities and Exchange Commission, 175 West Jackson Blvd., Suite 1450, Chicago, IL 60604. Respondent Centaurus shall provide any and all supporting documentation for the accounting and certification to the Commission staff upon its request and shall cooperate with any additional requests by the Commission staff in connection with the accounting and certification.

R. The Commission staff may extend any of the procedural dates set forth in this Section IV. for good cause shown. Deadlines for dates relating to the Fair Fund shall be counted in calendar days, except if the last day falls on a weekend or federal holiday, the next business day shall be considered the last day.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the findings in this Order are true and admitted by Respondents Cavanaugh, Hamilton, Hawkins, and Tremblay, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondents Cavanaugh, Hamilton, Hawkins, and Tremblay under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondents Cavanaugh, Hamilton, Hawkins, and Tremblay of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary