UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 11153 / February 6, 2023

SECURITIES EXCHANGE ACT OF 1934
Release No. 96805 / February 6, 2023

INVESTMENT ADVISERS ACT OF 1940
Release No. 6228 / February 6, 2023

ADMINISTRATIVE PROCEEDING
File No. 3-21295

In the Matter of **CENTAURUS FINANCIAL, INC., RICKY A. MANTEI, and ATUL MAKHARIA** **Respondents.**	**ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933, SECTIONS 15(b) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934, AND SECTIONS 203(e) AND 203(f) OF THE INVESTMENT ADVISERS ACT OF 1940, 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 Section 8A of the Securities Act of 1933 ("Securities Act"), Sections 15(b) and 21C of the Securities Exchange Act of 1934 ("Exchange Act"), and Sections 203(e) and 203(f) of the Investment Advisers Act of 1940 ("Advisers Act"), against Centaurus Financial, Inc. ("Centaurus" or "CFI"), Ricky A. Mantei ("Mantei"), and Atul Makharia ("Makharia") (collectively "Respondents").

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the "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, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Sections 15(b) and 21C of the Securities Exchange Act of 1934, and Sections 203(e) and 203(f) of the Investment Advisers Act of 1940, 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 finds[1] that:

Summary

1. This matter arises out of the conduct of certain registered representatives and a supervisory principal associated with CFI, a dually registered broker-dealer and investment adviser, in connection with unsuitable recommendations and sales of complex variable interest rate structured products ("VRSPs") to certain CFI retail brokerage customers.

2. Between June 2016 and July 2019 (the "Relevant Period"), Atul Makharia and seven other registered representatives from CFI's Lexington, South Carolina branch office (collectively, the "CFI RRs") recommended VRSPs to ninety-four retail customers for whom such investments were unsuitable in light of each of the specific customers' financial situations and needs (the "Specified Customers"). Makharia and the other CFI RRs made these recommendations even though they knew, or reasonably should have known, among other factors, that the Specified Customers to whom these VRSPs were recommended: were at or approaching retirement age; had an annual income of less than $100,000; in most cases, had a net worth of less than $500,000; had a low or moderate risk tolerance; had investment objectives that included, or were limited to, "income" and sought periodic interest payments; had moderate or high liquidity needs; had an investment time horizon of less than fifteen years; and were unwilling to risk losing all or some of their principal invested in the VRSPs. By making unsuitable recommendations of VRSPs to the Specified Customers, Respondent Makharia and Respondent CFI violated Sections 17(a)(2) and 17(a)(3) of the Securities Act. Respondent Mantei, the branch manager and owner of CFI's Lexington, South Carolina branch office (the "Lexington Branch"), caused these violations.

3. During the Relevant Period, CFI and Mantei also failed reasonably to supervise the CFI RRs with a view to preventing and detecting their violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act arising from the unsuitable recommendations of VRSPs to the Specified

[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.

Customers. CFI failed reasonably to implement its customer-specific suitability procedures to determine whether the CFI RRs were making the required suitability determinations prior to recommending VRSPs to the Specified Customers and that Mantei, as the branch manager and supervisory principal of the Lexington Branch, was following the procedures. For his part, Mantei failed reasonably to follow CFI's then existing customer-specific suitability review procedures, which required him to conduct a customer-specific suitability review of every proposed structured products transaction, including all VRSP transactions.

4. Additionally, from at least June 2016 to July 2019, CFI failed to make and keep certain required records relating to certain customer accounts. During this time period, CFI electronically recorded certain customer account information required under Exchange Act Rule 17a-3(a)(17), including the customer's name, tax identification number, address, telephone numbers, date of birth, employment status, annual income, net worth, and investment objectives. In some instances, CFI, however, failed to maintain and preserve this information for at least six years in violation of Exchange Act Section 17(a) and Rules 17a-4(e)(5) thereunder, and in a non-rewritable and non-erasable format in violation of Exchange Act Section 17(a) and Rule 17a-4(f)(2) thereunder. Further, CFI failed to make and keep current a record indicating that, for each change in a customer's account investment objectives, CFI furnished the customer with a copy of the updated account record or alternative document containing the information required by Rule 17a-3(a)(17) within thirty days of CFI receiving notice of any change, in violation of Exchange Act Section 17(a) and Rule 17a-3(a)(17)(i)(B)(3) thereunder.

Respondents

5. Centaurus, a California corporation with its principal place of business in Anaheim, California, has been registered with the Commission as a broker-dealer since 1993 and as an investment adviser since 1999. CFI has over 375 branch offices throughout the United States, and over 615 registered representatives, some of whom are also investment adviser representatives.

6. Mantei is a resident of Columbia, South Carolina. He is the founder, owner, and branch manager of Mantei & Associates, which has been affiliated with CFI since May 2015. He has been an associated person and registered with broker-dealers and/or investment advisers since 1982, and currently holds Series 5, 7, 24, 31, and 63 licenses.

7. Makharia is a resident of Columbia, South Carolina. He has been a registered representative since 2005 and associated with CFI since May 2015. He currently holds Series 7 and 63 licenses.

Other Relevant Entity

8. Mantei & Associates (n/k/a "COLA Wealth Advisors"), a South Carolina Subchapter S corporation with its principal place of business in Lexington, South Carolina, is the ownership entity that operates the Lexington Branch, which has been a CFI Office of Supervisory Jurisdiction since May 2015. Mantei founded Mantei & Associates in August 1995. Throughout

the Relevant Period, Mantei & Associates employed approximately fifteen registered representatives.

Variable Interest Rate Structured Products

9. The VRSPs at issue here are complex, structured securities with maturity periods of fifteen years or more issued by large well-known financial institutions.[2] The VRSPs initially offer guaranteed periodic fixed-interest rate payments, typically for one to three years. After the fixed-interest rate periods end, however, the VRSPs switch to periodic variable-interest rate payments. The variable interest rate payments are calculated based on formulas tied to differences in Constant Maturity Swap ("CMS") rates for long-term and short-term U.S. Treasury obligations, typically referred to as the "yield curve." Accordingly, during the variable-interest rate period, depending on the performance of the CMS rates, investors are not guaranteed to receive any further interest payments from the VRSPs. Moreover, the VRSPs include an additional contingency before investors can be paid any interest during the variable-interest rate period, which creates further complexity and risk. In particular, regardless of the performance of the CMS rates, the VRSPs only make periodic variable-interest rate payments if one or more referenced indexes, such as the S&P 500 and/or Russell 2000 stock indexes, do not decline more than a specified percentage (in most cases, 50%). The prospectuses for the recommended VRSPs at issue expressly disclosed the risk of non-payment of interest, stating, for example, that "there can be no assurance that [investors] will receive a contingent interest payment on any interest payment date" and that "the securities are not a suitable investment for investors who require regular fixed income payments, since the contingent interest payments are variable and may be zero."

10. The VRSPs are "principal-at-risk" securities, which means that investors can lose some or all of their invested principal if the VRSPs' referenced securities indexes, such as the S&P 500 and/or Russell 2000 stock indexes, decline more than a specified percentage at maturity (in most cases, 50%). The prospectuses for several of the recommended VRSPs expressly warn: "There is no minimum payment at maturity. Accordingly, investors may lose up to their entire initial investment in the securities."

11. The VRSPs are not listed on any securities exchange and are not guaranteed to trade in a liquid secondary market. For example, a preliminary prospectus for a VRSP offered by CFI specifically warns: "The securities will not be listed on any securities exchange. Therefore, there may be little or no secondary market for the securities . . . . Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the securities easily . . . . Accordingly, you should be willing to hold your securities to maturity."

---

[2] The VRSPs include the following: CUSIP numbers 22546V4G8, 22546VLJ3, 22546VNQ5, 22548QKB0, 61760QDG6, 61760QDW1, 61760QDY7, 61760QDZ4, 61760QEA8, 61760QEE0, 61760QEF7, 61760QEG5, 61760QEH3, 61760QEL4, 61760QEP5, 61760QEW0, 61760QFL3, 61760QFN9, 61760QFQ2, 61760QFR0, 61760QFS8, 61760QFU3, 61760QFV1, 61760QFZ2, 61760QGY4, 61766YAM3, 61766YAP6, 61766YAS0, 61766YAV3, 61766YAZ4, 61766YBH3, and 61766YBX8.

CFI RRs Made Unsuitable Recommendations of VRSPs

12. Prior to recommending a security to a customer, a broker-dealer must satisfy its customer-specific suitability obligations by making a determination that a particular investment is suitable for a specific customer in light of the customer's investment profile, as determined by the customer's financial situation and needs, which include, among other things, age, liquidity needs, investment objectives, investment time horizon, and risk tolerance. *See F.J. Kaufman and Co. of Virginia and Frederick J. Kaufman, Jr.*, Exch. Act Rel. No. 27535, at *3, 50 S.E.C. 164 (Dec. 13, 1989) (Comm. Op., sustaining NASD findings) (suitability obligation "requires a broker-dealer to make a customer-specific determination of suitability and to tailor his recommendations to the customer's financial profile and investment objectives"). These are determinations that must be made individually for each customer relating to every recommended transaction. Broker-dealers and their associated persons who make unsuitable recommendations violate the federal securities laws, including Sections 17(a)(2) and 17(a)(3) of the Securities Act.

13. During the Relevant Period, Makharia and the other CFI RRs recommended a total of 155 VRSPs to ninety-four Specified Customers for whom the securities were unsuitable based on each individual customer's financial situation and needs, as reflected by their age, annual income, net worth, risk tolerance, investment objectives, liquidity needs, investment time horizons, and investment experience. Makharia made fifty of these unsuitable recommendations to thirty customers. Information available to Makharia and the other CFI RRs, consisting of account opening documents, investment profiles, and other information provided by the Specified Customers, reflected that at the time of the unsuitable recommendations the Specified Customers were: sixty-five years old or over; had an annual income of less than $100,000; in most cases, had a net worth of less than $500,000; had a low or moderate risk tolerance; had investment objectives that included, or were limited to, income and sought periodic interest payments; had moderate or high liquidity needs; had an investment time horizon of less than fifteen years; and were unwilling to risk losing all or some of their principal invested in the VRSPs.

14. As discussed above, the VRSPs are complex structured securities with long-term maturity periods, which do not guarantee periodic interest payments following the fixed-interest rate period, do not guarantee return of principal at maturity, and provide no assurance of liquidity. Accordingly, at the time that Makharia and the other CFI RRs recommended the VRSPs to the Specified Customers, they knew, or should have known, that their recommendations were unsuitable because the VRSPs did not align with the Specified Customers' financial situations and needs.

15. During the Relevant Period, Mantei, as the branch manager and supervisory principal of the Lexington Branch, reviewed and approved each of the unsuitable VRSP recommendations and sales made by CFI RRs to the Specified Customers. Without Mantei's approval, none of these VRSP transactions would have been executed. At the time of his reviews and approvals, Mantei was familiar with the Specified Customers' financial situations and needs or had ready access to information concerning the Specified Customers' financial situations and needs. Mantei was also aware, or reasonably should have been aware, of the key features and risks of the VRSPs, including their long-term maturity periods, variable-interest rate risk, principal risk, and

liquidity risk. Accordingly, at the time that he reviewed and approved each of the unsuitable recommendations, Mantei knew, or reasonably should have known, that these recommendations were unsuitable because they did not align with the Specified Customers' financial situations and needs. Mantei also knew, or reasonably should have known, that his conduct would contribute to the CFI RRs making unsuitable recommendations.

16. As a result of the conduct described above, Makharia willfully[3] violated Sections 17(a)(2) and 17(a)(3) of the Securities Act. CFI, through the conduct of Makharia and the other Centaurus RRs, violated Sections 17(a)(2) and 17(a)(3) of the Securities Act, and Mantei caused these violations.

The Lexington Branch Written Supervisory Procedures

17. In July 2015, shortly after the Lexington Branch joined CFI, CFI established written supervisory procedures (the "WSPs") specifically designed to govern the Lexington Branch's recommendation and sale of structured products, including VRSPs. These WSPs were in effect throughout the Relevant Period.

18. The WSPs required the CFI RRs to comply with the customer-specific suitability requirements set forth in FINRA Rule 2111. FINRA Rule 2111 provides that, when making a customer-specific suitability determination, the broker-dealer must consider factors such as the specific customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information provided by the customer.

19. The WSPs further required the CFI RRs to consider other factors, in addition to those specified in FINRA Rule 2111, when recommending structured products, including VRSPs. For example, the WSPs required the CFI RRs to conduct an additional suitability review for any recommendation of a structured product to a customer over the age of 70½ or for a customer over the age of 59½ who would be purchasing a structured product in a retirement account. These additional age-dependent suitability reviews were designed to ensure that CFI registered representatives in the Lexington Branch were complying with the customer-specific suitability requirements for sales of structured products to senior investors or investors nearing retirement age that purchased structured products in retirement accounts. In addition, "[d]ue to the nature and construct" of the structured products that the CFI RRs were recommending during the

[3] "Willfully," for purposes of imposing relief under Section 15(b) of the Exchange Act and Section 203(e) of the Advisers Act, "'means no more than that the person charged with the duty knows what he is doing.'" *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). The decision in *The Robare Group, Ltd. v. SEC*, which construed the term "willfully" for purposes of a differently structured statutory provision, does not alter that standard. 922 F.3d 468, 478-79 (D.C. Cir. 2019) (setting forth the showing required to establish that a person has "willfully omit[ted]" material information from a required disclosure in violation of Section 207 of the Advisers Act).

Relevant Period, the WSPs restricted any CFI customer from holding more than ten percent of their net worth in a single structured product. This policy was established to limit CFI customers' risk exposure to any single structured product investment.

20. To monitor compliance with these customer-specific suitability requirements, the WSPs also required that Mantei, as branch manager, conduct a further individual customer-specific suitability review of all proposed structured products transactions at the Lexington Branch, including VRSP transactions, *before* each transaction was executed. The WSPs specifically required that this review take into account the "customer's profile, source of funds, investment objectives, time horizon level, investment experience, sophistication level, financial situation, liquidity needs, concentration level for this investment sector, total holdings, and trade history" as well as "the customer's ability to withstand any potential losses from investing in these products."

21. The WSPs also required specialized training for all CFI RRs "involved in the solicitation, offering, and/or supervision of structured products." Specifically, the WSPs required that before conducting any of this activity in connection with structured products, each CFI RR "must have successfully completed training deemed acceptable to the [CFI] Chief Compliance Officer, or his/her designee."

Mantei and CFI Failed Reasonably to Supervise the CFI RRs

22. Sections 15(b)(4)(E) and 15(b)(6) of the Exchange Act and Sections 203(e)(6) and 203(f) of the Advisers Act provide that the Commission may sanction a registered broker-dealer or supervisor and an investment adviser or supervisor, respectively, for failing reasonably to supervise, with a view to preventing and detecting violations of the federal securities laws, another person subject to their supervision who commits such a violation. The Commission has emphasized that the "responsibility of broker-dealers to supervise their employees by means of effective, established procedures is a critical component in the federal investor protection scheme regulating the securities markets." *SG Cowen Securities Corp.*, Exch. Act Rel. No. 48335 (Aug. 14, 2003).

Mantei Failed Reasonably to Follow the Lexington Branch WSPs

23. During the Relevant Period, Mantei failed reasonably to follow the WSPs' requirement that Mantei conduct his own customer-specific suitability review of all proposed Lexington Branch structured products transactions, including VRSP transactions, to determine whether the CFI RRs were making appropriate suitability determinations prior to recommending VRSPs to their respective customers. Indeed, the review that Mantei conducted for the VRSP transactions at issue here did not conform to the WSPs' customer-specific suitability review requirements and was inadequate to prevent and detect unsuitable structured products recommendations.

24. As part of his customer-specific suitability review, Mantei reviewed and signed each VRSP trade ticket before the trade was executed. Without Mantei's approval, none of these VRSP trades would have been executed. Because of the large volume of trading at the Lexington Branch,

Mantei could not, and did not, conduct any further review for many of the proposed VRSP trades. The trade ticket, standing alone, however, lacked sufficient information to enable Mantei to sufficiently assess the suitability of a trade. In particular, although the trade tickets included fields for some investment profile information, including the customer's risk tolerance, concentration level for the investment sector, and source of funds, they did not include the specific customer's age, annual income, net worth, investment objectives, time horizon level, investment experience, sophistication level, liquidity needs, or total holdings, which information was collected and maintained on other records to which Mantei had ready access to during the Relevant Period. Moreover, Mantei approved certain VRSP trade tickets that were incomplete, including several trade tickets that did not include any investment profile information at all.

25. If Mantei had reasonably followed the WSP's customer-specific suitability review procedures, it is likely that he could have prevented and detected the CFI RRs' unsuitable recommendations.

26. As a result of the conduct described above, Mantei failed reasonably to supervise the CFI RRs with a view to preventing and detecting their violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act by making unsuitable recommendations of VRSPs to the Specified Customers.

CFI Failed Reasonably to Implement the WSPs

27. During the Relevant Period, CFI failed reasonably to implement the WSPs to determine whether the CFI RRs were making the required customer-specific suitability determinations prior to recommending VRSPs to the Specified Customers, and that Mantei, as the branch manager and supervisory principal of the Lexington Branch, was following the WSPs.

28. As described above, CFI failed reasonably to implement the WSPs' requirement that Mantei conduct a customer-specific suitability review of all proposed Lexington Branch structured products transactions. During the Relevant Period, CFI also failed reasonably to implement the additional customer-specific suitability reviews required by the WSPs discussed in Paragraph 18 above. Indeed, CFI failed to implement any procedures or put any mechanisms in place to monitor whether the CFI RRs were actually conducting the additional age-dependent suitability reviews or preventing the Specified Customers from exceeding the ten percent single security concentration threshold for structured products. For example, the CFI RRs were not required to document in any way their age-dependent suitability reviews or their ten percent single security concentration threshold calculations, and CFI did not maintain any alerts, reports, or automated systems to assist CFI in monitoring compliance with these procedures. The WSPs also did not define or provide any guidance on what the age-focused suitability reviews should entail. CFI RRs could not identify what additional inquiry these reviews entailed beyond the ordinary required suitability reviews.

29. In addition, CFI failed to develop reasonable systems to implement its structured products training requirements. Most significantly, at no point during the Relevant Period did CFI take any steps to ensure that the CFI RRs were completing the required structured products training.

For example, CFI failed reasonably to implement any procedures or put reasonable mechanisms in place to accurately track or record the trainings that the CFI RRs had successfully completed. As a result, during the Relevant Period, none of the CFI RRs completed any formal structured products training, including the structured products training that CFI offered through a third-party vendor on principal-at-risk structured products, including VRSPs.

30. As a result of the conduct described above, CFI failed reasonably to supervise the CFI RRs with a view to preventing and detecting their violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act by making unsuitable recommendations of VRSPs to the Specified Customers.

CFI Failed to Make and Keep Required Broker-Dealer Records

31. Rule 17a-4(e)(5), promulgated under Section 17(a)(1) of the Exchange Act, requires a broker-dealer to "maintain and preserve in an easily accessible place … [a]ll account record information required pursuant to [Rule 17a-3(a)(17)] … until at least six years after the earlier of the date the account was closed or the date on which the information was collected, provided, replaced, or updated."[4] Under Exchange Act Rule 17a-4(f), broker-dealers may comply with these recordkeeping requirements through the use of electronic storage media. Importantly, however, if a broker-dealer uses electronic storage media to record any information required under Exchange Act Rule 17a-3, including Exchange Act Rule 17a-3(a)(17), Exchange Act Rule 17a-4(f)(2)(ii) specifies that the broker-dealer must, among other things, preserve these records "exclusively in a non-rewritable, non-erasable format."

32. Rule 17a-3(a)(17)(i)(B)(3), promulgated under Section 17(a)(1) of the Exchange Act, requires that, for each account with a natural person as customer or owner, a broker-dealer must make and keep current a record indicating that for "each change in the [customer or owner] account's investment objectives the [broker-dealer] has furnished to each customer or owner . . . a copy of the updated customer account record or alternative document with all information required to be furnished by [Rule 17a-3(a)(17)(i)(B)(1)] . . . on or before the 30th day after the date the [broker-dealer] received notice of any change . . . ."

33. The Commission has described the records required to be kept under Exchange Act Rule 17a-3 as "the basic source documents" of a broker-dealer and has emphasized that the rule serves as "a keystone of the surveillance of brokers and dealers by our staff and by the security industry's self-regulatory bodies." *See Statement Regarding the Maintenance of Current Books and Records by Brokers and Dealers*, Exch. Act Rel. No. 10756 (April 6, 1974); *Edward J. Mawod & Co.*, 46 S.E.C. 865, 873 n.39 (1977), *aff'd*, 591 F.2d 588 (10th Cir. 1979).

[4] Exchange Act Rule 17a-3(a)(17) requires, among other things, a record of a customer's "name, tax identification number, address, telephone number, date of birth, employment status . . . annual income, net worth (excluding value of primary residence), and the account's investment objectives." The CFI WSPs, which applied firm-wide, including the Lexington Branch, also required all the offices to maintain for a period of six years all records, including "new account forms" and "other materials required to justify or clarify actions taken on behalf of a client."

34. Every customer of CFI was required to submit a Client Agreement / New Account Form to open an account with CFI. The form, which CFI required to be updated at least every thirty-six months, included a customer's name, address, occupation, net worth, annual income, tax bracket, investment objectives, risk tolerance level, account time horizon, and liquidity needs, amongst other information. From at least June 2016 to July 2019, the Lexington Branch electronically recorded certain account information for each of its customers on a Lexington Branch internal customer management system ("CMS System"). The CFI RRs also reviewed, and in some cases, used the information in the CMS System to make recommendations or assist in reviewing orders. The information input into the CMS System included information required to be maintained and preserved under Exchange Act Rule 17a-3(a)(17), including the customer's name, tax identification number, address, telephone numbers, date of birth, employment status, annual income, net worth, and investment objectives. Lexington Branch personnel, including the CFI RRs, updated this information regularly in the CMS System as new information was received during meetings and phone calls with customers. When any of the account information was updated in the CMS System, however, the previous recorded account information for that category was permanently overwritten and not preserved in any form, including through electronic backup storage or backup tapes. As a result, CFI was unable to retrieve the previously recorded information once it had been updated in the CMS System. CFI failed to maintain and preserve for at least six years certain customer account information required pursuant to Exchange Act Rule 17a-3(a)(17), as required pursuant to Exchange Act Section 17(a) and Rule 17a-4(e)(5) thereunder. In addition, CFI failed to comply with the preservation and other electronic records requirements specified in Exchange Act Rule 17a-4(f)(2)(ii), including preserving electronic storage media in a non-rewritable, non- erasable format, as required pursuant to Exchange Act Section 17(a) and Rule 17a-4(f)(2) thereunder.

35. From at least June 2016 to July 2019, CFI also failed to make and keep current a record for all customers indicating that, for each change in a customer's account investment objectives, CFI furnished the customer with a copy of the updated account record or alternative document containing the information required by Rule 17a-3(a)(17)(i)(B)(1) within thirty days of CFI receiving notice of any change pursuant to Exchange Act Section 17(a) and Rule 17a-3(a)(17)(i)(B)(3) thereunder.

36. As a result of the conduct described above, CFI violated Section 17(a) of the Exchange Act and Rules 17a-4(e)(5), 17a-4(f)(2), and 17a-3(a)(17)(i)(B)(3) thereunder.

37. The disgorgement and prejudgment interest ordered in Sections IV.H. and IV.I. below is consistent with equitable principles and does not exceed Respondents' net profits from their violations and will be distributed to harmed investors to the extent feasible. The Commission will hold funds paid pursuant to Sections IV.H. and IV.I. in an account at the United States Treasury pending distribution. Upon approval of the distribution final accounting by the Commission, any amounts remaining that are infeasible to return to investors, and any amounts returned to the Commission in the future that are infeasible to return to investors, may be transferred to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

Undertakings

38. CFI has undertaken to:

a. Retain, within thirty (30) days of the date of entry of the Order, at its own expense, the services of an Independent Consultant not unacceptable to the Division of Enforcement of the Commission ("Division of Enforcement"), to review: (i) CFI's policies and procedures designed to prevent and detect unsuitable recommendations of structured products (in violation of the antifraud provisions of the federal securities laws and/or Regulation BI); (ii) CFI's systems of internal controls to implement the policies and procedures designed to prevent and detect unsuitable recommendations of structured products; and (iii) CFI's Lexington, South Carolina Office of Supervisory Jurisdiction branch office's maintenance and preservation of records.

b. Provide to the Division of Enforcement staff, within thirty (30) days of retaining the Independent Consultant, a copy of an engagement letter detailing the Independent Consultant's responsibilities, which shall include the review described above in Paragraph 37(a).

c. Require the Independent Consultant, at the conclusion of the review, which in no event shall be more than one hundred eighty (180) days after the date of entry of the Order, to submit to CFI and the Division of Enforcement a report of the Independent Consultant. The report shall address the supervisory issues described above and shall include (i) a description of the review performed, (ii) the conclusions reached, (iii) the Independent Consultant's recommendations for any changes or improvements to the policies, procedures, and practices of CFI, and (iv) a procedure for implementing the recommended changes or improvements to such policies, procedures, and practices.

d. Adopt, implement, and maintain all policies, procedures, and practices recommended in the report of the Independent Consultant. As to any of the Independent Consultant's recommendations about which CFI and the Independent Consultant do not agree, such parties shall attempt in good faith to reach agreement within two hundred ten (210) days of the date of the entry of the Order. In the event that CFI and the Independent Consultant are unable to agree on an alternative proposal, CFI and the Independent Consultant shall jointly confer with the Division of Enforcement staff to resolve the matter. In the event that, after conferring with the Division of Enforcement staff, CFI and the Independent Consultant are unable to agree on an alternative proposal, CFI will abide by the recommendations of the Independent Consultant.

e. Cooperate fully with the Independent Consultant in its review, including making such information and documents available as the Independent Consultant may reasonably request, and by permitting and requiring CFI's employees and agents to supply such information and documents as the Independent Consultant may reasonably request.

f. That, in order to ensure the independence of the Independent Consultant, CFI (i) shall not have the authority to terminate the Independent Consultant without prior written approval of the Director of the Division of Enforcement; and (ii) shall compensate the Independent Consultant, and persons engaged to assist the Independent Consultant, for services rendered pursuant to the Order at their reasonable and customary rates.

g. That no later than twelve (12) months after the date of entry of the Order, CFI shall direct the Independent Consultant to conduct a review of CFI's efforts to implement each of the recommendations made by the Independent Consultant and, upon the completion of the Independent Consultant's follow-up review, CFI shall direct the Independent Consultant to submit a report to the staff of the Division of Enforcement no later than fifteen (15) months after the date of the entry of the Order. CFI shall direct the Independent Consultant to describe in the follow-up report the details of CFI's efforts to implement each of the Independent Consultant's recommendations and state whether CFI has fully complied with each of the Independent Consultant's recommendations.

h. Require the Independent Consultant to enter into an agreement that provides that for the period of engagement and for a period of two (2) years from completion of the engagement, the Independent Consultant shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with CFI, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement will also provide that the Independent Consultant will require that any firm with which he/she is affiliated or of which he/she is a member, and any person engaged to assist the Independent Consultant in performance of his/her duties under this Order shall not, without prior written consent of the Director of the Division of Enforcement enter into any employment, consultant, attorney-client, auditing or other professional relationship with CFI, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

i. The reports by the Independent Consultant will likely include confidential financial, proprietary, competitive business or commercial information. Public disclosure of the reports could discourage cooperation, impede pending or potential government investigations or undermine the objectives of the reporting requirement. For these reasons, among others, the reports and the contents thereof are intended to remain and shall remain non-public, except (1) pursuant to court order, (2) as agreed to by the parties in writing, (3) to the extent that the Commission determines in its sole discretion that disclosure would be in furtherance of the Commission's discharge of its duties and responsibilities, or (4) is otherwise required by law.

j. Certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertaking(s), provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Division of Enforcement staff may make reasonable requests for further evidence of compliance, and CFI agrees to provide such evidence. The certification and report material

shall be submitted to Stacy L. Bogert, Associate Director, Division of Enforcement, with a copy to the Office of the Chief Counsel of the Division of Enforcement, no later than sixty (60) days from the date of the completion of the undertakings.

k. For good cause shown and upon timely application by the Independent Consultant or CFI, the Division of Enforcement staff may extend any of the deadlines set forth above.

39. Mantei shall provide the Commission within thirty (30) days after the end of the six-month limitation period described below, an affidavit attesting that he has complied fully with the sanctions described in Section IV.E. below.

40. Makharia shall provide the Commission within thirty (30) days after the end of the six-month suspension period described below, an affidavit attesting that he has complied fully with the sanctions described in Sections IV.F. and Section IV.G. below.

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 Section 8A of the Securities Act, Sections 15(b) and 21C of the Exchange Act, and Sections 203(e) and 203(f) of the Advisers Act, it is hereby ORDERED that:

A. Respondent CFI shall cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act and Section 17(a) of the Exchange Act and Rules 17a-4(e)(5), 17a-4(f)(2), and 17a-3(a)(17)(i)(B)(3) thereunder.

B. Respondent Mantei shall cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act.

C. Respondent Makharia shall cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act.

D. Respondent CFI is censured.

E. Respondent Mantei be, and hereby is, subject to the following limitations on his activities: Respondent Mantei shall not act in a supervisory capacity with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical organization for six (6) months, effective the second Monday following the entry of this Order.

F. Respondent Makharia be, and hereby is, suspended from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization for six (6) months, effective the second Monday following the entry of this Order.

G. Respondent Makharia be, and hereby is, suspended from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock for a period of six (6) months, effective the second Monday following the entry of this Order.

H. Respondent CFI shall, within ten (10) days of the entry of this Order, pay disgorgement of $4,876 plus prejudgment interest of $623 and a civil money penalty of $750,000 to the Securities and Exchange Commission. If timely payment of disgorgement and prejudgment interest is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600 and if timely payment of a civil penalty is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

I. Respondent Mantei shall, within ten (10) days of the entry of this Order, pay disgorgement of $92,650 plus prejudgment interest of $11,842 and a civil money penalty of $206,000 to the Securities and Exchange Commission. If timely payment of disgorgement and prejudgment interest is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600 and if timely payment of a civil penalty is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

J. Respondent Makharia shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of $35,000 to the Securities and Exchange Commission. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payments must be made in one of the following ways:

(1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(3) Respondents 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 CFI, Mantei, and Makharia as Respondents 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 Stacy L. Bogert, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F St., N.E., Washington, DC 20549-5041.

K. 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.H., IV.I., and IV.J. above. 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 penalty, Respondents 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 penalty 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 penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent CFI or Respondent Mantei 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.

L. Respondent CFI shall comply with the undertakings enumerated in Section III., Paragraph 38 above.

M. Respondent Mantei shall comply with the undertaking enumerated in Section III, Paragraph 39 above.

N. Respondent Makharia shall comply with the undertaking enumerated in Section III., Paragraph 40 above.

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 Respondent Mantei and Respondent Makharia, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent Mantei and Respondent Makharia 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 Respondent Mantei and Respondent Makharia 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