



Part 2A Appendix 1 of Form ADV: Wrap Fee Program Brochure

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This wrap fee program brochure ("Wrap Brochure") provides information about the qualifications and business practices of Centaurus Financial, Inc. ("CFI" or the "Firm"). If you have any questions about the contents of this Wrap Brochure, please contact us at (800) 880-4234 or cficompliance@cfiemail.com.

The information in this Wrap Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authorities. CFI is a Registered Investment Adviser. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

Additional information about CFI is also available on the SEC's website at www.adviserinfo.sec.gov. CFI can be found on this site by using the full Firm name or the unique identifying number, known as a CRD number. CFI's CRD number is 30833.

Item 2: Material Changes

CFI is required to disclose any material changes that have been made to the Wrap Brochure since the last annual update. The Wrap Brochure may be updated at any time, and any material changes will either be sent to clients as a summary of those changes, or clients will receive the entire updated Wrap Brochure depending on the extent of those changes.

Obtaining a Copy of the Wrap Brochure

Additional copies of this Wrap Brochure can be obtained in the following ways:

1. Contacting your Investment Adviser Representative (IAR) with whom you are working with;
2. Downloading the Wrap Brochure from the SEC website at www.adviserinfo.sec.gov (select “Firm” and enter our CRD number 30833”);
3. Downloading the Wrap Brochure from the CFI website at www.CentaurusFinancial.com/cfi/803adv/.

Summary of Material Changes

The following is a summary of material changes since the last annual update of the Wrap Brochure on **July 28, 2017**.

- **All Items:** The primary objective of the Wrap Brochure is to promote effective communication between CFI, IARs and clients in an easy to read format. In our latest version of the Wrap Brochure, the Firm has adjusted existing language in each section and adjusted the format to include more bullet points and table information in an effort to make the content easier to read and understand.
- **Item 4.A - Advisory Services Offered:** CFI added two additional CLASSIC Plus advisory programs, FlexUMA and Morningstar® Managed PortfoliosSM, since the previous Wrap Brochure update. Please see Item 4.A for more information regarding these programs.
- **Item 4 - Fees and Compensation:** CFI updated the billing method for various CLASSIC Plus programs from a *quarterly in advance* billing method to a *monthly in arrears* billing method since the previous Wrap Brochure update. CLASSIC Plus Accounts currently being billed quarterly in advance will not change unless a new investment advisory agreement or addendum is completed by the client and IAR. For more information, please see the table in Item 4 for each available program through CLASSIC Plus.
- **Item 9 - Disciplinary Information:** CFI updated the Firm’s disciplinary history relating to a FINRA industry review regarding sales charge discounts for eligible purchases of Unit Investment Trusts (UITs). Please see Item 9 for more information regarding this disclosure.
- **Item 9 - Client Referrals:** CFI introduced a referral fee program since the previous Wrap Brochure update. CFI may now pay referral fees to other individuals or professionals for referring clients to the Firm per a written agreement. CFI requires these individuals or professionals to comply with applicable laws, rules and regulations related to solicitation activities, including any state rules requiring registration. Individuals with which the Firm has a solicitor arrangement have a financial interest in referring clients to CFI and IARs, and receive a percentage of the advisory fee clients pay CFI. No additional fees are assessed when clients are referred to the Firm. Please see Item 9 for more information regarding client referrals.

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Item 4: Services, Fees and Compensation

A. Advisory Services Offered

The services provided by IARs primarily include asset allocation, investment management, and the utilization of Third-Party Money Managers (“TPMMs”) to manage client assets as deemed suitable. IARs may provide advisory services on a non-discretionary or discretionary basis. Clients who choose a non-discretionary advisory arrangement must be contacted by their IAR and provide authorization prior to the execution of any trades in their account(s). Clients who choose a discretionary advisory arrangement authorize their IAR to supervise and direct the portfolio management of the account(s) without prior consultation and approval by the client. CFI offers the following advisory services.

- **CLASSIC Plus Wrap Programs**

CLASSIC Plus is a fee-based advisory program where IARs manage client accounts or, depending on the program selected, may choose from approved TPMMs to manage their assets within an account for an annual advisory fee. CLASSIC Plus allows clients to invest in various types of securities such as, but not limited to:

- Stocks
- Mutual Funds
- Bonds
- Options
- Exchange Traded Funds (ETFs)
- Unit Investment Trusts (UITs)
- Alternative Investments
- Cash and/or Cash Equivalents

CLASSIC Plus offers multiple clearing and custodial options depending on the program selected. After consultation with their IAR, a client may select a CLASSIC Plus program appropriate for their objectives, goals, financial situation and risk tolerance, and will enter into an investment advisory agreement with CFI and the IAR for those services. In selecting a desired CLASSIC Plus program, the client will authorize CFI to open an account with the available custodian at the time the client enters into the investment advisory agreement. Specifics of each program, including the minimum investment, available custodian, fees, expenses, and other important information, are disclosed in the investment advisory agreement for each available program.

- **CLASSIC Plus - Morningstar® Managed PortfoliosSM**

CFI offers Morningstar® Managed PortfoliosSM (“MMP”) through the Firm’s custodial relationship with Pershing LLC. MMP offers professional guidance and access to strategies that can help investors reach their financial goals. The broad line-up of stock and ETF managed portfolios is designed to help meet the needs of clients at each stage of their lifetime.

MMP are offered by Morningstar Investment Services LLC, a Registered Investment Adviser and subsidiary of Morningstar Investment Management LLC. MMP are intended for citizens or legal residents of the United States or its territories and can only be offered by a Registered Investment Adviser or Investment Adviser Representative. Portfolio construction and ongoing monitoring and maintenance of the portfolios within the program are provided on Morningstar Investment Services’ behalf by Morningstar Investment Management LLC, a Registered Investment Adviser and subsidiary of Morningstar, Inc. Morningstar Investment Services LLC and its affiliates are not affiliated with Centaurus Financial, Inc. or its affiliates.

- **CLASSIC Plus - FlexUMA**

CFI offers CLASSIC Plus - FlexUMA (“FlexUMA”), which is a unified managed account investment program through the Firm’s relationship with TD Ameritrade Institutional. FlexUMA features an investment overlay manager, Adhesion Wealth Advisor Solutions (“Adhesion”). FlexUMA consists of model portfolio strategies comprised of

individual equity securities, mutual funds and/or exchange-traded funds (“ETFs”) and also provides clients with access to a variety of approved TPMs. Clients will not have a direct contractual relationship with Adhesion, or any other third-party strategist and/or third-party manager (collectively, “Third-Party Service Provider”) through the program, and will work directly with their IAR through CFI.

Prior to investing in the FlexUMA program, client will consult with their IAR and enter into an investment advisory agreement with CFI and the IAR for those services. Depending on the management services selected, client will grant IAR discretionary or non-discretionary authority to manage the account through a selection of Third-Party Service Providers. In addition, client will authorize the custodian to follow instructions given by IAR, CFI or Adhesion to effect transactions, deliver securities, deduct fees and take other actions with respect to the account.

Tax Overlay Management (“Tax Overlay”) services are also available for an additional fee. If elected, Adhesion will develop a tax strategy for the account based on the information and instructions provided by the IAR or CFI on behalf of the client. Adhesion does not provide general tax advice, tax return preparation or tax planning services. Adhesion will seek to reduce the overall tax burden of the account while seeking to maintain the risk and return characteristics of the model portfolios received from Third-Party Service Providers on the account. Adhesion will seek to avoid short-term gains where possible, but long-term gains are not limited unless the client has requested a mandate to limit realized long-term gains.

Adhesion will provide Tax Overlay with the assumption that those services will be provided to the account for an entire tax year. Termination or removal of the Tax Overlay before the completion of an entire tax year may result in adverse tax consequences, including without limitation, realization of short-term capital gains. Regardless of the account size or other factors, CFI highly recommends that clients consult with their CPA or Tax Adviser regarding the election or removal of the Tax Overlay service on their account. It is important that clients review the Form ADV Part 2A Brochure for Adhesion and other disclosure documents prior to, or at the time of, opening a FlexUMA account.

- **CLASSIC Plus - Performance Reporting**

In addition to account statements provided by the account custodian, clients may also have access to quarterly performance reports noting fees, holdings, account performance, and other account related information. Performance reports are provided for informational purposes only and are not official records of CFI. Reports are prepared using sources and information believed to be reliable and are not a guarantee of positions owned or of the market value of such positions. Although great effort is taken to provide accurate information, these reports should not be used for tax or legal purposes. Clients should compare performance reports against statements received from the account custodian and should bring any inconsistencies or questions to the immediate attention of their IAR or CFI.

CFI has entered into an agreement with Orion Advisor Services, LLC (“Orion”) and Adhesion to provide, among other things, account reconciliation, reporting, securities pricing and valuation, and fee calculation services for client accounts. In computing the market value of any security or other investment in the account, each security listed on a national securities exchange will be valued by Orion and/or Adhesion, as of the valuation date, at the closing price on the principal exchange on which it is traded, or as determined by Orion and/or Adhesion. Any other security or investment in the account will be valued based on prices obtained or provided by Orion and/or Adhesion.

- **Retirement Plan Services**

CFI, through its IARs, may also provide advisory services to ERISA-qualified plans, such as pensions, 401(k) plans, profit sharing plans and other retirement saving vehicles (the “Plan”). IARs will review with the client the expectations, goals and attributes of the Plan to determine the course of action to be taken. Such services are further outlined in a separate ERISA Plan Disclosure. IARs may serve as the Plan’s investment adviser pursuant to §3(21) of ERISA by formulating and presenting recommendations to assist the Responsible Plan Fiduciary (“RPF”) for

his/her approval. IARs will evaluate the demographics of the Plan’s participants to help select investment options that are appropriate for their retirement needs based upon ERISA §404(c)’s requirement that participant-directed retirement plans offer a “broad range” of investment options. IARs may prepare a summary of services recommended, including employee plan enrollment, employee education seminars, and assisting the RPF with service provider selection and review.

In providing advice to ERISA-qualified Plans, IARs are not permitted to have discretion or management authority over plan assets nor can they be a "named fiduciary". As such, IARs are limited to providing non-discretionary services. IARs may recommend placing assets with a TPMM who may be given additional authority by the Plan. Any such services provided by a TPMM are subject to a separate agreement executed between the Plan and the TPMM.

Fees & Compensation

CFI and the IAR are generally compensated for the investment management of the advisory account by charging an annual asset based advisory fee. Specifics of each program, including the minimum investment, available custodian, applicable TPMM fees, expenses, and other important information are disclosed in the investment advisory agreement for each available program.

In general, advisory fees are negotiable at the discretion of the IAR and may differ from client to client or within various accounts of a single client. Advisory fees charged may be calculated on a tiered or flat rate schedule. A flat rate schedule means a set percentage will be assessed against the total value in the account while a tiered rate schedule means that fees are blended. For example, as the portfolio value reaches a new account balance threshold, the assets greater than the prior threshold are charged a successively lower rate. The maximum advisory fee that an IAR may charge is determined by CFI, or the applicable TPMM, and is set forth in the program fee schedule below:

CLASSIC Plus Programs	Advisory Fee Billing Method	Account Custodian	Minimum Account Value	Maximum Advisory Fee
Alpha (N1X)	Monthly in Arrears	Pershing LLC	\$25,000	2.25%
ABJ	Monthly in Arrears	Pershing LLC	\$0	2.25%
MMP	Quarterly in Advance	Pershing LLC	\$25,000	1.10%
Omega	Monthly in Arrears	TD Ameritrade Institutional	\$25,000	2.25%
FlexUMA	Monthly in Arrears	TD Ameritrade Institutional	\$10,000	2.25%

B. Costs of Services if Provided Separately

The fees paid for any associated wrap fee program covers the advisory fee, brokerage commissions, and depending on the specific program, other trading and transaction based costs placed through the program’s custodian. Pursuant to account size, product type and trade volume among other factors, the cost of participating in the program selected may be more or less than the cost of paying for the services separately.

C. Fees in Addition to the Wrap Fee

In addition to the wrap fee, depending on the program selected, additional charges such as custodial fees, transfer fees, internal fund fees, TPMM investment management fees and other administrative and operational related fees may be assessed against the account. These charges are separate and apart from the wrap fee assessed against the account. Information regarding additional fees and expenses are available in the investment advisory agreement for the program selected along with the custodial fee schedule, prospectus, or other fee disclosure document for the particular security or party assessing the charge. Certain investments held within an advisory account such as Mutual Funds, Unit Investment Trusts (UITs), or Exchange Traded Funds (ETFs) may have internal expenses in addition to other fees for the account.

Many mutual funds that CFI makes available to clients for investment are categorized into different share classes. Each share class represents an interest in the same portfolio of securities. Some of these share classes pay a 12b-1 fee to the custodian in which securities are held. A 12b-1 fee is derived from the fund's assets and is paid for shareholder services, distribution, and marketing expenses. Share classes that pay a 12b-1 fee generally have a higher cost than those classes that do not. As a result, a lower return may be realized from the investment if the IAR recommends a higher cost share class when a lower cost share class is otherwise available. This represents a conflict of interest as the custodian may keep or share this 12b-1 fee with CFI as a dually registered Broker-Dealer and CFI may in turn keep or share this fee with the IAR in their capacity as a dually Registered Representative of CFI, the Broker-Dealer. This creates an incentive for the IAR to recommend the higher cost share class and should be discussed with the IAR. CFI highly recommends that clients review the mutual fund prospectus which discloses any 12b-1 or other associated fees relating to the specific mutual fund.

Clients are under no obligation to purchase any recommended investment related products or services through CFI or the Firm's associated IARs.

D. Wrap Fee Program Compensation

The IAR recommending the wrap fee program to the client receives compensation as a result of the client's participation in the program. The amount of this compensation may be more than what the IAR would receive if the client participated in other programs or paid separately for investment advice, brokerage, and other services. Therefore, the IAR may have a financial incentive to recommend the wrap fee program over other programs or services.

Item 5: Account Requirements and Types of Clients

In general, the CLASSIC Plus advisory programs require a minimum account value. Typically the minimum account value is \$25,000 but could be higher or lower depending on the program selected. For any billing period in which an account does not meet the minimum account value, CFI may, at its sole discretion, assess a minimum account value administration fee. Under certain circumstances, CFI, may waive the account minimum at its sole discretion. Please refer to the specific investment advisory agreement for the advisory program selected for more information on any applicable minimum account value administration fees.

CFI, through its IARs, provides investment advice and services to a variety of clients including individuals, high-net-worth individuals, families, small businesses, corporations, charitable organizations, foundations, trusts, estates and other business entities.

Item 6: Portfolio Manager Selection and Evaluation

Selection and Review of Portfolio Managers

CFI makes every effort to provide high quality portfolio managers for advisory programs that offer a wide selection of models in which TPMMs may act as the portfolio manager for the account. TPMMs act as the portfolio manager and/or strategist on the following wrap fee programs offered by CFI:

- **MMP:** ETF and Select Equity Models managed by Morningstar Investment Services LLC.
- **FlexUMA:** ETF, Mutual Fund, and Multi-Manager Models offered by various approved TPMMs.

CFI conducts initial and on-going investment due diligence on the managers and/or strategies available through these programs. In doing so, CFI considers a multitude of factors for offering portfolio models provided by the underlying managers and/or strategists available within these programs. Some of those factors include, but are not limited to; firm

financial strength, firm reputation, assets under management, historical performance, portfolio attribution, current investment teams, portfolio manager tenure, and additional services available to clients. The criteria for adding a manager and/or strategist to the applicable program or replacing a manager and/or strategist varies.

On-going due diligence reviews are completed at least annually and are focused at the TPMM firm and product levels. Firm level review is utilized to understand if structural changes, such as ownership or management, have occurred at the TPMM firm. Product level reviews are focused, but not limited to, the portfolio or model investment strategies which are approved and made available. CFI requests Global Investment Performance Standards (“GIPS”) compliant performance return data from TPMMs that can provide this data. In addition, CFI has other resources including a Bloomberg Terminal and access to other third-party research and investment due diligence staff.

Portfolios Managed by IARs

IARs may act as the portfolio manager for the CLASSIC Plus Alpha, ABJ, Omega and FlexUMA wrap fee programs. When acting as the portfolio manager, IARs are not subject to the same selection and review process as TPMMs which are available through other programs. To become affiliated with CFI, an IAR must complete an IAR Agreement, IAR Code of Ethics and obtain any necessary licenses and/or registrations to be considered by the Firm. The IAR recommending the wrap fee program to the client receives compensation as a result of the client's participation in the program. Therefore a conflict of interest may exist as the IAR may receive more compensation than if the client participated in other programs or paid separately for investment advice, brokerage, and other services. This conflict is mitigated as CFI has placed a maximum advisory fee limit that an IAR may receive on an account based on the program selected.

Advisory Business

When acting as the portfolio manager for a client's account, the services provided by an IAR primarily include, but are not limited to, the following:

- Analyzing the client's financial situation
- Investment management
- Asset allocation selection
- On-going account review & monitoring

Please refer to Item 4.A of this Wrap brochure for additional information on advisory business available through CFI.

Tailored Advisory Services

While this Wrap Brochure discusses the general services offered through CFI, each individual client works with an IAR to determine the necessary advisory services to be provided based on the uniqueness of each client's investment objectives, goals, financial situation, risk tolerance, and individual needs.

Wrap Fee Programs

The fees paid for any associated wrap fee program covers the advisory fee, brokerage commissions, and depending on the specific program, other trading and transaction based costs placed through the program's custodian. After consultation with a client, the IAR will assist in determining whether an advisory, commission, or a combination of advisory and commission arrangement is appropriate for the individual client's situation.

Through an advisory or fee-based arrangement, clients will generally pay an advisory fee that is a percentage of the account's value, or a fixed fee per service, for on-going professional guidance and advice instead of a receiving a commission for each transaction. In a commission-based arrangement, clients will pay a commission for each transaction which can vary depending on the security, investment product, or amount of the transaction among other factors. CFI receives and retains a portion of the wrap fee for the Firm's services.

Performance-Based Fees and Side-By-Side Management

CFI and its IARs do not charge performance based fees or participate in any side-by-side management for any wrap fee programs available through the Firm.

Methods of Analysis

IARs may use various methods of analysis to determine an appropriate investment strategy for a client's portfolio. These methods of analysis may include, but are not limited to:

- **Fundamental Analysis:** Focuses on analyzing the value of a security by focusing on characteristics of the issuing company including its financial statements, earnings record, assets, liabilities, management team, industry competitors, market penetration, and its competitive advantages, among others. The value is then compared to the current price of the issuing company's security to determine whether to purchase, sell or hold the security.
- **Technical Analysis:** Focuses on analyzing market statistics and charting in order to make buy and sell decisions for a particular security. Technical analysis primarily involves studying charts and statistics of trading history, market activity, trading volume, and statistics for the security being analyzed.
- **Bottom-Up Analysis:** Focuses on analyzing individual securities for their merits, such as valuation, management competence, pricing power and other unique characteristics of the stock and company. Bottom-up investment analysis focuses on an individual company rather than the industry or economy as a whole.
- **Top-Down Analysis:** Focuses on the overall economic, market and industrial trends before making a more granular analysis at specific industries or companies that have favorable outlooks.

Other types of investment analysis other than those noted herein, may also be utilized. Clients are encouraged to discuss the specific methods of analysis directly with their IAR.

Investment Strategies

IARs may use various investment strategies to help guide investment decisions for a client's account based on their individual objectives, goals, financial situation and risk tolerance, among other things. These methods of investment strategies may include, but are not limited to:

- **Diversification:** A risk management strategy that involves using a wide variety of non-correlated investments within a portfolio. Diversification seeks to reduce the overall investment risk and to avoid damaging the portfolio's performance by the poor performance of a single security or industry.
- **Dollar-Cost Averaging:** A strategy that involves buying a fixed dollar amount of securities at regularly scheduled intervals, regardless of the price per share. Dollar-cost averaging seeks to reduce the risk of incurring substantial losses resulting from investing a higher lump sum in securities at the high of the market before a downturn.
- **Asset Allocation:** A strategy that involves balancing risk versus reward by utilizing various asset classes such as stocks, bonds, mutual funds, alternatives, cash and other asset classes, as appropriate, based on an individual client's risk tolerance, goals, objectives and time horizon.

There is no guarantee that diversification, dollar-cost averaging, asset allocation, or other investment strategy methods will protect against loss or ensure a profit.

Risk of Loss

As with any method of analysis or investment strategy, various investment risks may be involved. Below are some of the most common types of investment risks:

- **Market risk:** The risk of investments declining in value because of economic developments or other events that affect the entire market. The main types of market risk are equity risk, interest rate risk and currency risk.
 - **Equity Risk:** The risk of loss due to a drop in the market price of shares.
 - **Interest Rate Risk:** The risk of loss due to a change in the interest rate.
 - **Currency Risk:** The risk of loss due to a movement in the exchange rate.
- **Liquidity Risk:** The risk of being unable to sell an investment at a fair price due to a lack of demand for the security being sold.
- **Concentration Risk:** The risk of loss because assets are concentrated in one investment or a type of investment.
- **Credit Risk:** The risk that the government entity or company that issued the bond will run into financial difficulties and won't be able to pay the interest or repay the principal at maturity.
- **Reinvestment Risk:** The risk of maintaining favorable returns from reinvesting principal or income at a lower interest rate.
- **Inflation Risk:** The risk of a loss in purchasing power due to the value of the investment not keeping up with inflation.
- **Horizon Risk:** The risk that a client's investment horizon may be shortened because of an unforeseen event such as the loss of employment.
- **Longevity Risk:** The risk of outliving investments and savings.
- **Foreign Investment Risk:** The risk of loss when investing in foreign countries.

All methods of analysis and investment strategies have limitations. Therefore, performance results cannot be guaranteed, and past performance is no guarantee of future results. Methods of analysis and investment strategies rely on the assumption that the companies issuing the recommended securities, the rating agencies that review these securities, and sources of public information about these securities, are providing accurate and unbiased data. In general, these sources of information are believed to be reliable; however, there is always a risk that any analysis may be compromised by inaccurate or misleading information. **Investing in securities involves risk of loss that clients should be prepared to bear.**

Voting Client Proxies

Clients may receive proxies and other solicitations directly from the custodian and/or transfer agent. CFI and IARs do not take any action or give any advice with respect to voting of proxies solicited by, or with respect to, the issuers of securities in which your accounts may be invested. In addition, CFI and IARs do not take any action, or give any advice, with respect to any securities held in any accounts that are named in or subject to class action lawsuits. CFI and IARs are

required to forward any proxy materials, legal proceedings or other documents received involving any securities held in a client's account to the applicable client.

Item 7: Client Information Provided to Portfolio Managers

The personal and financial information a client provides to CFI in order to open an account is accessible to the IAR on the account. This information is protected in accordance with the Firm's Privacy Policy & Practices ("Privacy Policy") which is available on the CFI website at www.CentaurusFinancial.com. The Privacy Policy can also be requested directly from the IAR on the account. Client data may be provided to other third parties associated with the account to enable the Firm to provide trading, aggregation, reporting, asset management, or other applicable services necessary in order to the IAR to service the client's needs for the account. Any third party used is subject to security protocols in order to protect client data.

CFI requires, at minimum, annual contact and review between IARs and their clients who maintain an advisory account through CFI. Annual contact provides the opportunity for clients to discuss with their IAR and provide any updates related to their financial situation, investment goals and objectives, personal changes and other account information that may require a change in the overall management strategy of the advisory account.

Item 8: Client Contact with Portfolio Managers

The IAR serves as the primary contact for any account related questions and is reasonably available to advise clients as necessary regarding any account managed by the IAR directly or TPMM if applicable.

Item 9: Additional Information

Disciplinary Information

CFI is required to disclose any legal or disciplinary events material to a client's, or prospective client's, evaluation of the Firm's advisory business or the integrity of the Firm's management.

- In 2009, FINRA found that CFI failed to adequately safeguard certain customer information on a computer fax server; adequately respond to information that unauthorized persons had accessed the system; adequately investigate the scope of the unauthorized access and sent inaccurate notification of the access to affected customers and representatives, thus failing to comply with Regulation S-P and FINRA rules 2010, 2011, 2211 and 3010. Without admitting or denying the findings, CFI paid a \$175,000 fine and implemented the requested corrections.
- In 2010, FINRA found that CFI did not report the correct time of trade to the Real-Time Transaction Reporting System (RTRS) for certain municipal securities transactions and also did not report certain transactions to the RTRS within fifteen (15) minutes as required by MSRB Rule G-14. Without admitting or denying the findings, CFI paid a \$10,000 fine and was required to revise the Firm's written supervisory procedures with respect to MSRB reporting.
- In 2011, the Nevada Securities Division alleged that CFI did not comply with one of the provisions of an agreement it entered into regarding the supervision of one of its Registered Representatives by not notifying the Division in writing within ten (10) calendar days of a change in the Registered Representative's supervisor. Without admitting or denying the statement of facts and conclusion of law contained in the administrative order, CFI consented to the entry of the order and paid a \$5,000 fine to settle the matter.

- In 2014, FINRA found that CFI failed to comply with SEC Rule 17a-4(b)(4), FINRA Rule 2010, NASD Rules, 2210, 2211, 3010, 3010(a) and (d)3 and 3110(a). Five of CFI's Registered Representatives (wholesale Representatives) functioned as wholesalers for an unaffiliated investment management firm. Although CFI contracted to provide exclusive authority and control over the direction and supervision of the representatives in connection with wholesaling five of the investment management firm's fund private placements, CFI's Written Supervisory Procedures (WSPs) did not specifically address the supervision of wholesaling activities and CFI did not properly supervise the wholesaling activities of the wholesale Representatives. Without admitting or denying the findings, CFI consented to a censure and paid a \$25,000 fine.
- In 2016, a FINRA industry review found that CFI failed to identify and apply certain sales charge discounts to certain customer's eligible purchases of Unit Investment Trusts (UITs). Without admitting or denying the findings, CFI paid a \$100,000 fine and paid \$85,281.62 back to all affected customers.

Firm Registrations

CFI is a SEC Registered Investment Adviser, FINRA member Broker-Dealer, and the principal owner is The Federation of Financial Services ("FFS"), owning more than 75% of CFI. The Firm's affiliates include:

- Pacific Point Securities ("Pacific Point"), a FINRA member Broker-Dealer and managing Broker-Dealer. Pacific Point currently has no clients.
- Alpha Centauri Wealth Management ("ACWM"), a SEC Registered Investment Adviser. ACWM currently has no clients, affiliated IARs, or assets under management or administration.

Management Personnel Registrations

Management personnel of CFI have the following relationships which may be considered material to their functions:

- Owners of CFI and its parent company, FFS, also own ACWM.
- Certain management personnel are separately licensed as Registered Representatives of CFI. These individuals, in their separate capacity, may effect securities transactions for which they may be compensated.
- Certain management personnel are separately licensed as Registered Representatives of Pacific Point. These individuals, in their separate capacity, may supervise or effect securities transactions for which they may be compensated.
- Certain management personnel are licensed attorneys with the California State Bar. None of these individuals provide direct legal services to any non-employee or non-family related CFI clients.
- Certain management personnel are Real Estate Brokers licensed with the California Department of Real Estate. None of these individuals have any current clients in this capacity.
- Certain management personnel are separately licensed agents of various insurance companies. These individuals, in their separate capacity, may receive compensation resulting from the sale of insurance products to clients.
- Management personnel may also conduct business in other industries that could be considered material.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

CFI has a Code of Ethics ("Code") that sets forth standards of conduct that are expected of employees of CFI and IARs. The Code was designed to address conflicts of interest, promote ethical standards of compliance, and requires persons associated with CFI to act with honesty, good faith and fair dealing in working with clients. In addition, the Code prohibits such associated persons from trading or otherwise acting on insider information. An IAR may purchase or sell the same security he or she recommends to a client. This creates a conflict of interest in that IARs may receive a better

price than the client. The Firm's Code places restrictions on IARs personal trading activities in order to mitigate this conflict. A copy of the Code can be requested by calling or emailing the Compliance Department at (800) 880-4234 or cficompliance@cfiemail.com.

Review of Accounts

In order to provide a high level of service and on-going review, CFI requires, at minimum, annual contact and review between IARs and their clients who maintain an advisory account through CFI. Annual contact provides the opportunity for clients to discuss with their IAR and provide any updates in their financial situation, investment goals and objectives, personal changes and other account information that may require a change in the overall management strategy of the advisory account. IARs are required to complete and document this review on an annual basis and maintain that information in the client file.

Other Factors for Account Review

More frequent reviews may be necessary based on variables such as changes to an individual client's personal or financial situation, the overall stock market, or the economic or political environment. Clients are encouraged and responsible to notify their IAR anytime they have any material changes to their financial situation, investment goals and objectives, personal changes or other related event that could impact the management of their advisory account. Clients should also contact their IAR anytime they have any questions regarding their account in general.

Statements & Reporting

Clients will receive an account statement at least quarterly from the custodian of the advisory program selected which contains the account balance, holdings, activity and other account related information. Clients in the CLASSIC Plus program may also have access to quarterly performance reports noting fees, holdings, account performance, and other account related information. Clients should compare performance reports against statements received from the account custodian and should bring any inconsistencies or questions to the immediate attention of their IAR or CFI. Clients may also request specific account information from their IAR or CFI as necessary.

Client Referrals

Centaurus may pay referral fees to other individuals for referring clients to CFI. The Firm requires these individuals to comply with applicable laws, rules and regulations related to solicitation activities, including any state rules requiring registration. Individuals with which the Firm has a solicitor arrangement, have a financial interest in referring clients to CFI and IARs, and receive a percentage of the advisory fee clients pay CFI. No additional fees are assessed when clients are referred to CFI. If a client is introduced to CFI, or one of the Firm's IARs through a soliciting partner, clients will receive a separate written disclosure document that contains important information related to the solicitor arrangement. Clients should review this document carefully before opening an advisory account with CFI.

Other Compensation

CFI and IARs may receive additional compensation from certain TPMMs and Product Sponsors ("Sponsors"). These payments are typically made in connection with programs or activities to support and offset marketing, education, training and due diligence efforts. This economic benefit creates a conflict of interest in that it may give an incentive to recommend TPMMs or Sponsors that provide additional compensation for those services. This conflict is mitigated by disclosing to clients the types of compensation that CFI and IARs receive so clients can consider this conflict when evaluating CFI, the IAR, and available TPMMs and Sponsors. Any such arrangement is reviewed for compliance with applicable regulations and approved by CFI.

IARs are also Registered Representatives of CFI, the Broker-Dealer. As such, IARs may recommend brokerage investment products and services outside of an advisory account and receive compensation for doing so. A conflict of interest exists between the IARs duty to provide unbiased advice to clients and the potential receipt of fees or commissions on investment related transactions effected through CFI, the Broker-Dealer. It is important for clients to consider the fees, level of service and investment strategies, among other factors, when selecting an IAR with whom to conduct business. IARs have a fiduciary duty to recommend investment products and services that the IAR believes is in the best interest of the client.

CFI participates in TD Ameritrade's institutional customer program, and CFI may recommend TD Ameritrade to clients for custody and brokerage services. TD Ameritrade Institutional is a division of TD Ameritrade Inc. member FINRA/SIPC. TD Ameritrade is an independent (and unaffiliated) SEC-registered Broker Dealer. There is no direct link between CFI's participation in the program and the investment advice it gives to its clients, although CFI receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving CFI participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to CFI by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by CFI's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit CFI but may not benefit its client accounts. These products or services may assist CFI in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help CFI manage and further develop its business enterprise. The benefits received by CFI or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, CFI endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by CFI or its related persons in and of itself creates a potential conflict of interest and may indirectly influence CFI or its related persons choice of TD Ameritrade for custody and brokerage services.

CFI also receives from TD Ameritrade certain additional economic benefits ("Additional Services") that may or may not be offered to any other independent investment advisers participating in the program. Specifically, the Additional Services include payments for Orion Adviser Services, LLC. TD Ameritrade provides the Additional Services to CFI in its sole discretion and at its own expense, and CFI does not pay any fees to TD Ameritrade for the Additional Services. CFI and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services. CFI's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to CFI, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, CFI's client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with CFI, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, CFI may have an incentive to recommend to its clients that the assets under management by CFI be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. CFI's receipt of Additional Services does not diminish its duty to act in the best interests of its clients, including to seek best execution of trades for client accounts.

Financial Information

CFI does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, CFI is not required to provide an audited balance sheet for the most recent fiscal year. CFI also has no known current financial condition that could impair its ability to meet its contractual obligations.