



Part 2A of Form ADV: Firm Brochure

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September 5, 2018

This firm brochure ("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 Brochure, please contact us at (800) 880-4234 or cficompliance@cfiemail.com.

The information in this 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 Brochure since the last annual update. The 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 Brochure depending on the extent of those changes.

Obtaining a Copy of the Brochure

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

1. Contacting your Investment Adviser Representative (IAR) with whom you are working;
2. Downloading the Brochure from the SEC website at www.adviserinfo.sec.gov (select “Firm” and enter our CRD number 30833”);
3. Downloading the 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 Brochure on **July 28, 2017**.

- **All Items:** The primary objective of the Brochure is to promote effective communication between CFI, IARs and clients in an easy to read format. In our latest version of the 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.B - Advisory Services Offered:** CFI added two additional CLASSIC Plus advisory programs, FlexUMA and Morningstar® Managed PortfoliosSM, since the previous Brochure update. Please see Item 4.B for more information regarding these programs.
- **Item 5.A - 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 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 5.A indicating the “*Advisory Fee Billing Method*” 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 14 - Client Referrals and Other Compensation:** CFI introduced a referral fee program since the previous 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 14 for more information regarding client referrals.

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Item 4: Advisory Business

A. Description of the Advisory Firm

CFI is a Registered Investment Adviser with the SEC, and Broker-Dealer, member FINRA and SIPC. CFI commenced operations in 1992 with the corporate headquarters being located in Anaheim, California. The principal owner of CFI is the Federation of Financial Services ("FFS"), owning more than 75% of the Firm. CFI offers a variety of advisory services through Investment Adviser Representatives ("IARs") who are associated with the Firm. IARs are independent contractors who are registered to provide advisory services through CFI. IARs are also Registered Representatives of CFI and may also be licensed insurance agents.

B. Advisory Services Offered

The services provided by IARs primarily include financial planning and consulting, 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 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 - Variable Annuity & Variable Life Management**

CFI offers the CLASSIC Plus Variable Annuity ("VA") and Variable Life ("VL") management programs. IARs manage the sub-account assets within a client's variable annuity or variable life policy directly with the issuing insurance company. IARs may provide this service on a non-discretionary or discretionary basis. Prior to providing this service, client will consult with their IAR and enter into an agreement with CFI and the IAR for those services, if the client deems that the management of their variable annuity or variable life policy is appropriate. Management of variable annuity or variable life sub-accounts is limited to the sub-accounts available and offered by the issuing insurance company for the specific policy.

- **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.

- **Third-Party Money Management (TPMM) Programs**

IARs may also recommend the services of approved TPMM programs. These programs are typically managed on a discretionary basis and each TPMM may offer different types of investment programs and/or services. TPMM programs offer access to a variety of investment portfolio models and strategies with varying levels of risk. After consultation with their IAR, a client may select a TPMM investment management program appropriate for their objectives, goals, financial situation and risk tolerance. Clients will then enter into a separate investment advisory agreement with the TPMM for those services. TPMMs are separately Registered Investment Advisers and are not affiliated with CFI.

- **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.

- **Financial Planning and Consulting Services**

CFI provides clients with a broad range of financial planning and consulting services which may include, but are not limited to:

- Investment Planning
- Retirement Planning
- Income Planning
- College Planning
- Estate Planning
- Business Planning
- Insurance Planning
- Health/Medical Planning
- Social Security Planning

After consultation with their IAR, a client may request financial planning and consulting services appropriate for their financial situation and will enter into a financial planning and consulting services agreement with CFI and the IAR for those services. The IAR will gather information regarding the client's investment objectives and financial situation, which may include current investments and assets, tax status, insurance coverage, liquidity, risk tolerance, retirement goals, time horizon, and estate needs among other things. After completion of the fact gathering process, the IAR will use the data to develop recommendations and will present them to the client.

- **Other Professional Services**

In addition to financial planning and consulting, some IARs may be licensed or able to provide other professional services such as legal, real estate or accounting services. Such services, if provided to client, will be provided under a separate agreement and are not related to any services provided through CFI.

C. Tailored Advisory Services

While this 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.

D. 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. CFI receives and retains a portion of the wrap fee for the Firm's services.

E. Assets Under Management

As of **04/30/18**, CFI had the following amount of Assets Under Management ("AUM") on a discretionary and non-discretionary basis.

- **\$739,615,115** on a discretionary basis
- **\$1,526,595,575** on a non-discretionary basis

Item 5: Fees and Compensation

A. Advisory Services Fees

CLASSIC Plus Programs

CFI makes available several fee-based advisory programs where IARs manage client accounts or, depending on the program selected, may choose from approved TPMMs to manage their assets within an account. After consultation with their IAR, a client may select a 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. 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%
Beta (N1W)	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%
VA & VL	Quarterly in Arrears	Issuing Insurance Company	\$25,000	2.00%
Omega	Monthly in Arrears	TD Ameritrade Institutional	\$25,000	2.25%
FlexUMA	Monthly in Arrears	TD Ameritrade Institutional	\$10,000	2.25%
Delta	Monthly in Arrears	Charles Schwab & Company	\$25,000	2.25%

In addition to the advisory fee, depending on the program selected, additional charges such as transaction charges, 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 advisory 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.

Minimum Account Value

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.

Variable Annuity & Variable Life Management

An IAR, in the capacity of a Registered Representative of CFI, the Broker-Dealer, may have sold the variable annuity or variable life policy to the client and received a commission prior to entering into an advisory agreement. In such cases, CFI mitigates this conflict as IARs are generally prohibited from charging an advisory fee for managing the variable annuity or variable life sub-accounts for a period of at least twelve months from the date of purchase. In some cases, fees for managing the sub-accounts may be deducted directly from the variable annuity or variable life policy. Fee deductions are generally considered distributions, and may affect the variable annuity or variable life policy terms, and may have adverse tax consequences. Clients are highly encouraged to consult with their CPA or Tax Adviser regarding any tax ramifications related to fee deductions and/or distributions from a variable annuity or variable life policy.

Given the complexity of many variable annuity and variable life policies, including elected guarantees and/or riders, internal management fees, and surrender charges, among other things, clients should discuss the contract terms of their variable annuity or variable life policy with their IAR to determine the impact that fee deductions will have on contract terms. Clients may receive an invoice for payment of fees, or, subject to certain restrictions, elect to have the fees deducted from the variable annuity or variable life policy, or a different account.

Third-Party Money Management (TPMM) Programs

Advisory fees paid by clients who invest in TPMM programs are negotiable subject to each TPMM's stated advisory and investment management fee ranges. Advisory fees are generally paid either quarterly or monthly in advance or in arrears depending on the program selected. The advisory fee payment method and calculations are outlined in the advisory agreement directly with the TPMM. In general, TPMM advisory fees range from 1.00% to 3.00% and are based on the size of the account, complexity of the investment strategy and underlying investments, among other factors. In addition to the TPMM, CFI and the IAR receive a portion of the advisory program fee for services and the referral. It is important that clients review the Form ADV Part 2A Brochure for the TPMM program selected and other disclosure documents, prior to, or at the time of opening an account with a TPMM to review all applicable fees.

Retirement Plan Fees

CFI is deemed to be a fiduciary under the Employee Retirement Income Security Act of 1974 ("ERISA") when providing advice to covered retirement plans or plan participants. As such, CFI is subject to certain obligations and duties under ERISA. Depending on the program option selected, account fees may be billed either in advance or in arrears subject to the same fee table and parameters as noted above. Program fee information is also disclosed in the appropriate investment advisory agreement and Plan documents.

Financial Planning and Consulting Services

Fees for financial planning and consulting services are determined based on the nature of the services provided and the complexity of the individual client's circumstance. Fees for financial planning and consulting services are negotiable and a client has no obligation to implement financial planning and consulting recommendations through CFI or the IAR. If the client chooses to implement any of the recommendations through CFI, implementation will be under a new and separate agreement apart from the financial planning and consulting services agreement and fee for those services. CFI and the IAR may not accept pre-payments of \$1,200 or more for services which cannot be completed within six months.

B. Billing of Advisory Fees

Pursuant to the applicable investment advisory agreement and program selected, fees may be prorated and charged monthly or quarterly for the applicable period in advance or in arrears as noted above in Item 5.A. This is generally determined by the program selected and not by the client or IAR. Depending on the program, fees are typically deducted directly from the advisory account. In some instances where a direct fee deduction from the account is not possible, a bill may be generated for the advisory fees on an account separately.

C. Other Fees in Connection with Advisory Services

Depending on the advisory program selected, additional charges such as transaction fees, custodial fees, transfer fees, qualified account fees, internal fund and exchange fees may be assessed against the account. These charges are separate and apart from the annual advisory fee assessed against the account. Information regarding any such charge is available in the custodial fee schedule, prospectus, or other document for the particular security or party assessing the charge. Please refer to the investment advisory agreement of the program selected for more details relating to any additional fees or expenses associated with the program. 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. Clients are encouraged to review the specific investment prospectus for additional information relating to internal expenses. Please also refer Item 5.A above and Item 12 below for additional information on brokerage practices.

D. Advisory Agreement Termination & Refunds

Depending on the advisory program selected, advisory fees may be billed and deducted in advance. Investment advisory agreements may be terminated at any time by CFI or the client, upon written notice, and subject to the terms of the investment advisory agreement of the program selected. Any pre-paid unearned fees will be pro-rated from the billing date, and date of termination. Refunds will be made promptly to the client within a reasonable time, generally within thirty days from the date of termination.

E. Other Compensation

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.

Item 6: Performance-Based Fees

CFI and its IARs do not charge performance based fees. However, some TPMMs may offer advisory programs that charge performance based fees. It is important that clients review the Form ADV Part 2A Brochure for the TPMM program selected and other disclosure documents, prior to opening an account with a TPMM that charges performance based fees.

Item 7: Types of Clients

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. Typically the minimum account value to open a CLASSIC Plus account is \$25,000 but could be higher or lower depending on the program selected. Minimum account values to open an account directly with a TPMM varies.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

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.**

Item 9: 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.

Item 10: Other Financial Industry Activities and Affiliations

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.

Item 11: 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.

Item 12: Brokerage Practices

A. Selection and Recommendation of Broker-Dealers

CFI is both a FINRA registered introducing Broker-Dealer and a SEC Registered Investment Adviser. In general, CFI does not utilize other introducing Broker-Dealers for trade execution or brokerage services with the exception of accounts held at TD Ameritrade Institutional (TD Ameritrade Institutional acts as the registered Broker-Dealer for these accounts). CFI makes every effort to provide clients with the most timely and cost effective trade executions and brokerage services. In doing so, CFI has considered a multitude of factors for offering the custodial and brokerage services provided by firms available to clients. Some of those factors include, financial strength, reputation, reporting and execution capabilities, pricing, and additional services provided to clients. While clients are free to execute trades through any Broker-Dealer they choose, CFI generally executes and clears account transactions through the following custodians depending on the CLASSIC Plus program selected:

- **Pershing LLC**, a subsidiary of The Bank of New York Mellon Corporation
One Pershing Plaza, 4th Floor, Jersey City, NJ 07399 “Pershing”
- **TD Ameritrade Institutional**, a division of TD Ameritrade, Inc.
7801 Mesquite Bend Drive, Suite 112, Irving, TX 75063 “TDA”
- **Charles Schwab & Company, Inc.**
1945 Northwestern Drive, El Paso, TX 79912 “Schwab”

Approved TPMMs offered through CFI utilize non-affiliated Broker-Dealers. These Broker-Dealers are chosen directly by the applicable TPMM. Account transactions for the CLASSIC Plus VA and VL programs are executed directly through the issuing insurance company and their designated custodian.

B. Research and Other Soft Dollar Benefits

CFI participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. (“TD Ameritrade”) member FINRA/SIPC. TD Ameritrade is an independent (and unaffiliated) SEC-registered Broker-Dealer. TD Ameritrade offers services which include custody of securities, trade execution, clearance and settlement of transactions to independent investment advisers. CFI receives some benefits from TD Ameritrade through its participation in the program. (Please see the disclosure under Item 14 below.)

CFI does not receive any additional research or other products or services other than execution from a Broker-Dealer or a third-party in direct connection with client securities transactions (“Soft Dollar Benefits”).

C. Brokerage for Client Referrals

CFI does not consider, when selecting or recommending Broker-Dealers, whether CFI or a related person receives client referrals from a Broker-Dealer or third party.

D. Directed Brokerage

CFI does not routinely recommend, request or require that clients direct the Firm to execute transactions through a specified Broker-Dealer. In general, the option is unavailable to direct securities transactions to other Broker-Dealers or account custodians.

For any instance when a direct brokerage request is approved for the use of another Broker-Dealer for execution of securities transactions, CFI may be unable to achieve the most favorable execution for a client's transaction. Directing brokerage may cost a client more in brokerage commissions and transaction costs as CFI may be unable to negotiate costs and lose the ability to aggregate orders to reduce transactions costs.

E. Block Trading and Aggregation of Orders

An IAR that is approved for discretion may make block trades for multiple clients. Block trading allows the IAR to aggregate the purchase or sale of securities for various client accounts in order to achieve a more favorable execution for client transactions. For circumstances when a client's order is aggregated with other client orders, shares of the security will be distributed to those clients participating in the block trade in a fair and equitable manner. The distribution of shares purchased is typically proportionate to the size of the account and is not based on account performance or the amount or structure of advisory fees.

Subject to the IARs discretion regarding market conditions, when orders are combined, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by associated persons of CFI may participate in block trading with client accounts; however, these associated persons will not be given preferential treatment of any kind.

Item 13: Review of Accounts

A. Account Review

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.

B. 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.

C. 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.

Item 14: Client Referrals and Other Compensation

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 a TPMM or Sponsor that provides 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.

As disclosed under Item 12.B above, CFI participates in TD Ameritrade's institutional customer program, and CFI may recommend TD Ameritrade to clients for custody and brokerage services. 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.

Item 15: Custody

CFI does not maintain physical custody of client assets. Depending on the advisory program selected, clearing and custody services for CLASSIC Plus program accounts are offered through Pershing, TDA, Schwab, or directly with the underlying issuing insurance company in the case of variable annuity or variable life policies. The custodian will send account statements to clients at least quarterly. Account statements include a summary of all transactions, all deposits and withdrawals, all fees and expenses, and the value of the account at the beginning and end of the stated time period. Clients should review these statements carefully.

In addition to account statements provided by the custodian, CLASSIC Plus clients may also have access to quarterly performance reports depending on the program selected. These reports provide information regarding 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.

Item 16: Investment Discretion

CFI offers advisory services on a discretionary and non-discretionary basis. With discretion, a client appoints the IAR as attorney-in-fact through a discretionary investment advisory agreement with respect to such trading authorization. Pursuant to such authorization IAR may in its sole discretion, without prior consent of client and at client's risk, purchase, sell or otherwise trade the securities and investments in the account. Discretionary trading authority does not

allow CFI or the IAR to withdraw funds or take custody of client funds or securities. Client may revoke discretionary authority at any time by providing notice to CFI or the IAR. Upon receipt of revocation notice, discretionary authority will be revoked and the account will be managed in a non-discretionary manner, which requires express consent in advance to trades made in client's account. For non-discretionary accounts, clients are under no obligation to accept any recommendations, and clients retain sole discretion over the investments to be purchased and sold in the account.

With the FlexUMA program, Adhesion generally acts as agent and attorney-in-fact with authority to act on behalf of the account and therefore has investment discretion. This means that Adhesion has the authority, within the limits of instructions from CFI or the IAR, to determine, without obtaining client consent, the securities to be bought or sold, and the amount of securities to be bought or sold. Material limitations on Adhesion's authority exist by among other things; (i) the investment instructions provided by the IAR through CFI, ii) the model portfolios, strategies, and related instructions provided by Third-party Services Providers selected, iii) the custodian selected for the account, and (iv) the fiduciary responsibility of the IAR and CFI as described in this Brochure. Discretionary trading authority does not allow Adhesion, CFI or the IAR to withdraw funds or take custody of client funds or securities.

Item 17: 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 18: 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.