



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

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This wrap fee program brochure provides information about the qualifications and business practices of Centaurus Financial, Inc. ("Centaurus" or the "Firm"). If you have any questions about the contents of this Brochure, please contact Centaurus at 714-456-1790. Centaurus is registered with the United States Securities and Exchange Commission ("SEC"). Such registration does not imply any level of skill or training. The information in this Brochure has not been approved or verified by the SEC or by any Self Regulatory Organization ("SRO") or state securities regulatory authorities.

Additional information about Centaurus Financial, Inc. also is available on the SEC's site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number known as a CRD number. Centaurus' CRD number is 30833.

## **Item 2                    Material Changes**

Centaurus is a premier independent financial services firm serving hundreds of Representatives and thousands of Clients throughout the United States. Centaurus facilitates access by its Representatives and Clients to a wide variety of investment and administration platforms, products and services. From time to time, changes to business practices or arrangements with service providers can require changes to the Firm's Disclosure Brochures.

Rules enacted by the SEC require that federally registered investment advisers provide a summary of material changes to the Disclosure Brochure provided to certain clients.

When is the Brochure updated?

This Brochure may be updated at any time. A summary of material changes will be provided to you or, depending on the extent of the changes, an entire updated Brochure may be delivered to you.

Additional copies of this Brochure can be obtained by downloading the Brochure using the internet link below, by contacting your Centaurus Representative, or by requesting a copy of the Brochure in writing at the address on the cover of this Brochure.

<http://www.centaurusfinancial.com/cfi/803adv/>.

### **Summary of Material Changes**

Centaurus participates in the TD Ameritrade, Inc. ("TD Ameritrade") Additional Services program. TD Ameritrade is not affiliated with Centaurus. Centaurus receives some benefits from TD Ameritrade through its participation in the program. Although there is no direct link between the Firm's participation in the program and the investment advice it gives to its Clients, the Firm may make TD Ameritrade available to Clients for custody and brokerage services.

Further information regarding the Additional Services program can be found in Items 4.2.1 and 9.4 of this brochure.

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#### **Item 4 Services, Fees and Compensation**

This Wrap Program Brochure ("Brochure") describes the services, fees, and other information clients may need to consider prior to participating in the Firm's wrap program.

Centaurus is an SEC registered investment adviser and FINRA member broker/dealer with its principal place of business in Anaheim, California. The Firm commenced operations in 1992. The Firm's principal owner is the Federation of Financial Services, owning more than 75% of the Firm. All of the Firm's advisory services are offered through an Investment Adviser Representative ("IAR"). IARs provide advice, make recommendations, and execute transactions, as applicable. As of 07/24/2012, the Firm through its IARs has assets under management ("AUM") of \$62,582,706 on a discretionary basis and \$435,756,672 on a non-discretionary basis.

The Firm is registered in all 50 states and offers a variety of advisory services through its IARs. The Firm's IARs may also be registered securities representatives of the Firm, and/or licensed insurance agents.

Centaurus sponsors the Classic Plus Wrap Program ("Program"), which is an advisory program under which an advisory fee is charged for account services. These fees include portfolio management and transaction execution, among other services. Because each Client's situation is unique, the level of fees and services provided is negotiable.

#### **Item 4.1 Program Services**

The Program is a fee based asset management program offered by the Firm where IARs manage the client's account. Client may participate in one or more of the Program offerings which include the Classic Plus Alpha, Beta, Delta and Omega, Variable Annuity, Variable Life and Mutual Fund programs.

##### **Item 4.1.1 Retirement Plan Accounts**

IARs through the Program may provide Program services to self-directed retirement plan accounts, such as 401(k) plans, profit sharing plans and other retirement savings vehicles. IAR and Plan Participant/Client will develop a portfolio of various holdings designed to meet the needs of the Plan Participant/Client.

In providing advice to ERISA qualified Plans, the IAR is not permitted to be a discretionary manager or "named fiduciary". As such, the IAR is limited to providing non-discretionary services.

#### **Item 4.2 Initial Consultation**

IAR and client will have an initial consultation to determine which of the Classic Plus managed account options is most suitable for the client. After the initial consultation, IARs may assist clients with the development of an investment policy statement, and client may also enter into an agreement for managed account services based on the program selected. IAR and Client will develop a portfolio of various holdings designed to meet the needs of the client. In Classic Plus Alpha, Beta, Delta and Omega accounts, IAR may construct a portfolio containing stocks, bonds, options, UITs, REITs, certain types and classes of mutual funds and cash and/or cash equivalents.

##### **Item 4.2.1 Classic Alpha, Beta, Delta and Omega Brokerage and Clearing**

The Classic Plus Alpha, Beta, Delta and Omega Programs are managed brokerage account options within the Classic Plus Program. For Classic Plus managed accounts the Program offers multiple clearing and custody options, depending on the program selected. Clearing and custody is offered either through Pershing, LLC a subsidiary of The Bank of New York Mellon Corporation, One Pershing Plaza, 4th Floor, Jersey City, NJ 07399 ("Pershing"), or TD Ameritrade ("TDA") a subsidiary of Toronto Dominion Bank, TD Ameritrade, 1005 N. Ameritrade Place Bellevue, NE 68005, or Charles Schwab & Co., Inc, Phoenix Operations Center, 2423 E. Lincoln Drive, Phoenix, AZ 85016-1215 ("Schwab") in a limited capacity. If a client chooses to clear trades through a different custodian clearing firm, Centaurus will not be able to accommodate the client with one of the Program's managed account options. Client will enter into, or authorize Centaurus to open an Account with the chosen custodian at the time Client enters into a management agreement.

Centaurus makes every effort to provide clients with the most timely and cost effective trade execution. However, the ultimate price paid or received for a security transaction will depend on the custodian clearing firm selected at the time the account is opened. Differences in price the client realizes can occur because each custodian may receive a different price for the transaction it executes. While clients are free to execute trades through any broker/dealer they choose, Centaurus generally executes and clears advisory transactions through Pershing, LLC and TDA, and Schwab, under limited circumstances, for its advisory program accounts. If a client chooses to clear trades through a different custodian clearing firm, Centaurus will not be able to accommodate the client through its advisory programs.

For the payment of trading and custodial services, the Program offers three options which are the same for

discretionary and nondiscretionary accounts. Only one option may be chosen per account. The IAR and client will discuss the client's investment objectives, financial situation, risk tolerance and trading preferences, and the client will select the most appropriate solution. Transaction costs are assessed accordingly.

- Client may elect the Alpha Program which uses Pershing as the account custodian and the IAR will pay individual trade charges for each transaction as it occurs.
- Client may elect the Beta Program which uses Pershing as the account custodian and the Client will pay individual trade charges for each transaction as it occurs in addition to the management fee.
- Client may elect the Delta Program which uses Schwab as the account custodian. An asset based portion of the management fee is paid to Schwab account for trading costs.
- Client may elect the Omega Program which uses TDA as the account custodian. A portion of the management fee is paid to TDA for a maximum of 100 trades per account, per 12 month cycle, from account opening.

Centaurus participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC/NFA. TD Ameritrade is an independent (and unaffiliated) SEC-registered broker-dealer. TD Ameritrade offers to independent investment Advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Centaurus receives some benefits from TD Ameritrade through its participation in the program. (Please see the disclosure under Item 9.4 below.)

Since clients may have multiple accounts utilizing more than one of the trading options listed above, the actual cost of particular trades may differ between accounts. Clients should carefully review the information provided regarding transaction costs associated with each custodian and the options listed above. See Program Fees below for more information pertaining to fees and fee calculation.

#### **Item 4.2.2 Discretionary Trading**

An IAR may be given investment discretion in connection with a client's account. With discretion, the IAR can trade securities in the account without communicating with the client before placing trades to the risk of Client. Generally, this limited type of authority restricts the IAR to the execution of transactions in the account. It does not authorize withdrawal of funds or securities from the account. Centaurus may permit IARs to exercise discretion in client accounts, subject to certain limitations. IARs must request and receive approval to exercise discretion from the Firm prior to the IAR placing any discretionary trades. Each client must grant limited trading authority to the IAR in writing prior to the IAR placing any discretionary transactions in the client's account. The IAR's Supervisor and the Home Office must review and approve the written limited trading authorizations for each account where the client intends to grant discretion to the IAR.

#### **Item 4.2.3 Block Trading**

An IAR that is approved for discretion in Alpha, Beta or Omega accounts may make block trades for multiple clients. Block trading allows the IAR to buy or sell a large amount of a particular security in one trade. Block trades may reduce trade costs by spreading the cost among all of the accounts involved in the trade. In some cases, a block trade may not be completed in a single transaction or day. In such a case, each account involved will generally receive a pro-rata number of shares for the order filled and the price received will be the average price of all trades. Under certain circumstances, pro-rata allocation to accounts may be adjusted.

When making block trades, IARs consider each client's investment objectives and financial situation. IARs that block trade may be buying or selling a security for a model allocation. In this regard, they will aggregate orders for the selected securities and will make block trades for the total share amounts.

#### **Item 4.3 Classic Mutual Fund Management**

In the Classic Mutual Fund program, clients select a portfolio of mutual funds from the same family of funds, to be managed by their IAR. In these accounts, the issuing mutual fund company may restrict the investment options available as well as the rebalancing or reallocation of the accounts. An IAR, acting in the capacity of a registered representative, may have sold the mutual fund to the client and may have received a commission on the purchase. In such cases, IARs are prohibited from charging a fee for managing the mutual fund for twelve months from the date of purchase. In some cases, fees for managing the mutual funds may be deducted from the fund itself.

Additional charges such as internal fund fees and exchange fees may be assessed against the account. Client will bear all internal investment expenses and or fees incurred by the Account to include sales charges, management fees, and transaction charges. These additional charges, fees and expenses are separate and apart from the Advisory Fee assessed against the Account. Information regarding any internal charge, fee or expense is available in the Issuer's prospectus.

#### **Item 4.4 Classic Variable Annuity Management**

In the Classic Variable Annuity Management program, IARs may manage variable annuity sub-accounts. After consultation with their IARs, clients may select appropriate services and enter into an agreement for asset management services. Management of variable annuity sub-accounts is limited to the sub-accounts designated by the annuity company. Clients may allocate account assets within the annuity sub-accounts based on their investment objectives and financial situations.

An IAR, acting in the capacity of a registered representative may have sold the variable annuity to the client and may have received a commission on the purchase. In such cases, IARs are prohibited from charging a fee for managing the variable annuity sub-accounts for twelve months from the date of purchase. In some cases, fees for managing the sub-accounts may be deducted from the annuity. Fee deductions are generally considered distributions from the annuity, and may affect the annuity contract terms. Given the complexity of many variable annuity contracts, including elected guarantees and/or riders, internal management fees, and surrender charges, clients should discuss the contract terms of their annuity with their IAR to determine the impact fee deductions will have on contract terms. Clients may receive an invoice for payment of fees, or, subject to certain restrictions, elect to have fees deducted from a different account.

#### **Item 4.5 Classic Variable Life Management**

In the Classic Variable Life Management program, IARs may manage variable life sub-accounts. Management of variable life sub-accounts is limited to the sub-accounts designated by the insurance company. Clients may allocate account assets within the sub-accounts based on their investment objectives and financial situations. Fees for services cannot be debited from the account therefore client either must designate another program account to pay for fees or client will elect to be invoiced for services.

#### **Item 4.6 Program Fees**

When participating in the Program, clients pay a Wrap Fee which is generally a fee that includes advisory, brokerage and custodial services. Transactions in the Program are usually executed without sales commissions or markups. Since the cost of participating in the program may be more or less than the cost of participating in similar programs or the cost of paying for Program services separately, clients should consider among other things, the amount of the Program fee, administrative costs, as well as the types and quality of the services to be provided. Any fees paid or costs absorbed will have an effect on account returns. Clients should be sure to read all the information they are given, including disclosure brochures, product information etc. in determining which products and services to choose. IARs are reasonably available to address any questions clients have regarding Program fees and charges.

Fees are negotiable and may differ from client to client or within accounts or portfolios of a single client. Program fees are calculated based on the market value of the designated assets in the account and may vary based on the complexity, size and number of accounts. Fees are charged quarterly in advance by direct account debit or by invoice. Client may, with certain restrictions, elect to have fees deducted from a different account.

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; i.e., as the portfolio value reaches a new threshold, as noted in the table below, the assets greater than the prior threshold are charged a successively lower rate.

Tier	Portfolio Value	Maximum Client Fee
1	\$50,000 - \$249,999.99	2.25%
2	\$250,000 - \$499,999.99	2.00%
3	\$500,000 - \$999,999.99	1.75%
4	\$1,000,000 - \$1,999,999.99+	1.50%
5	\$2,000,000,000 – and above	1.50%

In addition to assessing fees based on a percentage of the designated assets held in the account, portfolio management fees may also be paid as a fixed fee negotiated between the client and the IAR on a case-by-case basis. This fee is generally an annualized dollar amount, paid in quarterly installments.

A portion of the fee is paid to the Firm for administrative and other costs. In certain limited circumstances, a fee may be negotiated outside the ranges stated in the fee schedule, which may result in higher or lower fees than if the fee

schedule was used.

Accounts that fall below the stated account minimums established for participation in the Program may be subject to a minimum administrative fee of \$25.00 per quarter for any quarter in which the account minimum is not met. The Firm may waive this administrative fee in its sole discretion.

#### **Item 4.6.1 Brokerage Costs**

When establishing the Account, client will select one of three account types, Alpha, Beta or Omega. For Alpha accounts, accounts will be custodied at Pershing and the determined fee will include all advisory, transaction and administrative charges. Beta accounts will also be custodied at Pershing and the determined fee will include all advisory and administrative charges and transaction charges will be assessed against the Account. Omega accounts are custodied with TDA whereby client will pay a set fee to include advisory and administrative charges and client will receive 100 trades per account per 12 month cycle.

Clients should be aware that when using Alpha Accounts, there may be an incentive for the IAR to trade client accounts less frequently because the IAR pays the transaction charge costs for Alpha accounts within the program. Further, when using Beta Accounts, there may be an incentive for the IAR to trade client accounts more frequently because the Client pays the transaction charge costs for Beta accounts within the program. For accounts traded through TD Ameritrade, each account is provided 100 trades per 12 month cycle from account inception and the account is assessed an asset based fee regardless of whether any transactions occur in any particular period.

#### **Item 4.6.2 Other Fees Not Included**

Costs excluded from the wrap fee calculation can include certain transaction charges, internal mutual fund or UIT expenses, sponsor exchange or redemption charges, custodial fees, and other fees as applicable. Brokerage expenses are disclosed in the Account Management Agreement. Any internal expenses are disclosed in the mutual fund or UIT prospectus, or other disclosure documents provided by a product sponsor. The Firm and its IARs may receive all or a portion of these additional fees the receipt of which may create a conflict of interest given the IAR may have an incentive to sell a product with upfront or trail commissions over one without any commission. Trail commissions in the Program accounts are not paid to IARs. If a commissioned product is included as part of the portfolio composition, the wrap fee is not assessed against the value of the product, or a waiting period may be imposed during which the wrap fee is not charged.

Clients may purchase investments, such as mutual funds directly from the product sponsor without the assistance of IAR. However, the client may not receive the value of the services provided by the IAR which is designed to help the client determine which investments are most appropriate. Clients are under no obligation to purchase any products or services through the Firm.

#### **Item 4.7 Custody of Assets**

Centaurus does not maintain physical custody of client assets. The Firm has technical custody due to client authorizing the Firm to deduct advisory fees from client accounts. Clients should review the account statements from the custodian for the total account value and the amount of the fee, among other things to determine that information is represented accurately.

#### **Item 5 Account Requirements and Types of Clients**

Centaurus requires a minimum deposit of \$25,000.00 in cash and/or securities to participate in the Program. Related accounts of lower value may be linked to the primary account in consideration of other factors, such as anticipated contributions to the account, or holdings in other managed accounts.

The Firm, through its IARs, provides services to a variety of clients including high net worth individuals, individuals other than high net worth individuals, pension and profit sharing plans and plan participants, charitable organizations, corporations, and other business entities.

### **Item 5.1 Termination of the Advisory Relationship**

Management Agreements may be terminated by the Firm or the client at any time and for any reason upon written notice, subject to the terms of the agreement. Any pre-paid unearned fees shall be refunded to client on a pro-rata basis based on the effective date of the termination as determined by the management agreement.

### **Item 6 Portfolio Manager Selection and Evaluation**

Centaurus does not utilize any outside portfolio managers to provide account allocation or management. Accounts are allocated by the IAR according to the investment objectives provided by Client. IARs may use various methods to determine what recommendations to make to the client as to how to allocate the Account. Any methods used are based on the IAR's professional judgment and experience.

The actual asset allocation of a particular portfolio may differ from the recommended model or from other client portfolios with similar objectives or levels of risk. No model portfolio or allocation formula can guarantee a gain or assure that an account will suffer no losses. Past performance of a model is not a guarantee of future performance.

#### **Item 6.1 Account Review and Reporting**

Generally, IARs contact their clients at least annually to review their accounts and to determine the continued appropriateness of the Program for the client. These contacts provide the opportunity for the IAR and Client to discuss the client's financial status, investment objectives, or and any personal changes that may require an adjustment to the client's account strategy or Program selection. Clients are responsible for notifying IAR of changes to their investment objectives or financial situation that would impact the management of the account.

In addition to account statements provided by the account custodian, clients will also receive quarterly performance reports noting fees, holdings, account performance, etc. Performance reports are provided for informational purposes only and are not an official Centaurus record. 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 Program reports against the statements received from the custodian for any inconsistencies and should bring any questions to the attention of their IAR.

#### **Item 6.2 Performance based fees**

Centaurus and its IARs do not charge performance based fees.

#### **Item 6.3 Methods of Analysis, Investment Strategies and Risk of Loss**

IARs recommend investment strategies to clients based on the financial circumstances and investment objectives of each client. Recommendations can be based on various forms of analysis and may include those listed below.

##### **Fundamental Analysis**

Fundamental analysis attempts to measure the value of a security by focusing on characteristics of the issuing company including its financial statements, earnings record, industry competitors, market penetration, and its competitive advantages, among others.

A security's calculated value, based on fundamental analysis, can be compared with the market price of the security to determine whether the security is under or overpriced, and whether to recommend a purchase or a liquidation of the security.

Fundamental analysis does not attempt to anticipate market movements. This presents a potential for market risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

##### **Technical Analysis**

Technical analysis takes into consideration past market movements and applies that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company.

##### **Charting**

Charting is a type of technical analysis where charts of market and/or security activity are used in an attempt to identify trends in market movement, and to determine how long particular market trends might last.



## Cyclical Analysis

Cyclical analysis is a type of technical analysis that measures the movements of a particular stock in relation to the overall market in an attempt to determine the price movement of the security.

## Asset Allocation

Rather than focusing primarily on securities selection, asset allocation attempts to identify an appropriate ratio of equity securities, fixed income instruments, and cash, or cash equivalents, suitable for the client based on their investment goals and risk tolerance.

## Risks for All Investment Strategies and Forms of Analysis

All investment strategies and types of analysis have limitations. Therefore, performance results cannot be guaranteed. Investment strategies and methods of analysis 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. Investment strategies and types of analysis other than those noted herein may also be utilized.

### **Item 7 Client Information Provided to Portfolio Managers**

Please see the Firm's privacy policy as Centaurus adheres to a strict privacy policy as it relates to client's personal information. Generally, the firm does not utilize any outside portfolio managers as all accounts are managed by the client's IAR. Client data however may be provided to other third parties to enable the firm to provide trading, aggregation, reporting or other services necessary for IAR to service the client's needs. Any third party used is subject to security protocols in order to protect client data.

### **Item 8 Client Contact with Portfolio Manager**

Each Client account is managed by the Client's IAR therefore the Client has direct access to the person managing their account. IARs are reasonably available to give advice, make recommendations, and execute transactions, and to answer questions about the Account.

### **Item 9 Additional Information About the Firm**

#### **Item 9.1 Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

The following are disciplinary events relating to our Firm and/or our management personnel:

In 2004 the NASD found the Firm failed to timely file certain reportable events as required by conduct rule 3070(B) and certain reportable statistical and summary information as is required by conduct rule 3070(C). Without admitting or denying the findings, the Firm paid a fine of \$10,000.

In 2009 FINRA found the Firm 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, the Firm paid a fine of \$175,000.00 and implemented the requested corrections which included corrected notifications of the unauthorized access persons to all previously notified customers and brokers, offered affected people one year of free credit monitoring, and certified to FINRA within 90 days that the Firm's policies and procedures are in compliance with privacy requirements.

In 2010, a FINRA review found Centaurus 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 of the time of as required by MSRB Rule G-14. Without admitting or denying the findings, the Firm was fined \$10,000 and was required to revise its written supervisory procedures with respect to MSRB reporting.

In 2011, the Nevada Securities Division alleged that Centaurus 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, Centaurus

consented to the entry of the order and a fine of \$5,000 was paid to settle the matter.

## **Item 9.2 Firm Registrations**

Centaurus is a federally-registered investment adviser and a FINRA member broker-dealer.

Pacific Point Securities, an affiliated FINRA member broker/dealer. Pacific Point is a managing broker/dealer providing support services to bring securities products and services to market. Pacific Point does not currently have any clients.

Alpha Centauri Wealth Management is a federally-registered investment adviser. Alpha Centauri Wealth Management currently has no clients, investment adviser representatives or assets under management or administration.

Centaurus IARs are also Registered Representatives of the Firm. As such, their investment recommendations are limited to investment products and services approved by the Firm. Other suitable investment products may be available through other financial services firms at lower costs. A conflict of interest exists because of IARs' duty to provide unbiased advice to clients and the potential receipt of fees, or commissions on transactions effected through Centaurus.

## **Item 9.3 Management Personnel Registrations**

Certain management personnel of the Firm are separately licensed as Registered Representatives of Pacific Point Securities, an affiliated FINRA member broker/dealer. These individuals, in their separate capacity, may effect securities transactions for which they may be compensated.

Owners of Centaurus and its parent company, The Federation of Financial Services, Inc., also own Alpha Centauri Wealth Management, a federally-registered investment adviser.

Management personnel of Centaurus may also conduct business in other industries that could be considered material to their functions with the Firm.

Certain members of Firm management are licensed attorneys with the California State Bar. None of these individual provides direct legal services to any Centaurus Clients.

Certain Firm management personnel are agents of various insurance companies. As such, these individuals may receive compensation resulting from the sale of insurance products to clients. Any compensation would be disclosed to the client at the time of sale. Clients are not obligated to purchase insurance products from any Adviser and any insurance product is implemented at the discretion of the client.

Certain Firm management personnel are Real Estate Brokers licensed with the California Department of Real Estate. None of these individuals has any current clients in this capacity.

## **Item 9.4 Referrals and Other Compensation**

Centaurus IARs are also Registered Representatives of the Firm. As such, their investment recommendations are limited to investment products and services approved by the Firm. Other suitable investment products may be available through other financial services firms at lower costs. A conflict of interest exists because of the IARs' duty to provide unbiased advice to clients and the potential receipt of commissions on transactions effected through the Firm. The Firm or its IARs may receive benefits in addition to advisory fees or brokerage commissions for selling or promoting certain products or services. For example, such benefits can include travel reimbursement for attending due diligence meetings. Any such arrangement is reviewed by Centaurus for compliance with regulatory limits set forth by FINRA and the SEC.

In general, Centaurus IARs are independent contractors. They do not receive salaries, trail commissions, or production bonuses from Centaurus. Therefore, such IARs' compensation through Centaurus is not tied to any particular product or service. Centaurus, at its discretion, may assist an IAR in attending a Firm-sponsored educational seminar or other event.

Centaurus does not compensate third parties for client referrals.

As disclosed under Item 4.2.1. above, the Firm participates in TD Ameritrade's institutional customer program and the Firm may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between the Firm's participation in the program and the investment advice it gives to its Clients, although the Firm 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 Centaurus 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 the Firm by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by the Firm's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit the Firm but may not benefit its Client accounts. These products or services may assist the Firm in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help the Firm manage and further develop its business enterprise. The benefits received by the Firm 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, the Firm endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by the Firm or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TD Ameritrade for custody and brokerage services.

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

#### **Item 9.5            Voting Client Proxies**

Centaurus and its IARs are expressly precluded from taking any Proxy related action/activity on behalf of a client. As such, Centaurus and its IARs will not take any action, and shall not be obligated to render any advice to client with respect to (i) the voting of proxies solicited by, or with respect to, the issuers of any securities held by client, or (ii) legal proceedings involving securities and/or other investments, presently or formerly held, or the issuers thereof, including bankruptcies. IARs are required to forward any proxy materials, legal proceedings or other documents received for a client, to client's address of record.

#### **Item 9.6            Financial Information**

Centaurus is obligated to disclose any financial condition which, within reason, is likely to impair its ability to meet its contractual obligations. Centaurus is not experiencing any financial event that it reasonably believes likely to impair its ability to meet its contractual obligations.

#### **Item 9.7            Code of Ethics**

Centaurus' Code of Ethics sets forth standards of conduct that are expected of certain employees and representatives of the Firm. The Code addresses conflicts that may arise from personal trading activities, among others, and requires reporting and review of certain personal securities transactions. The Code is designed to promote ethical standards of compliance for covered employees and representatives. Centaurus will furnish clients with a copy of its Code of Ethics upon request.