

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011026915002**

OK

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Centaurus Financial, Inc., Respondent
Member Firm
CRD No. 30833

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Centaurus Financial, Inc. ("Centaurus") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Centaurus hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Centaurus first became a FINRA member firm on April 15, 1993. Centaurus, headquartered in Anaheim California, has 367 branch offices and approximately 585 registered individuals. The firm, a privately held independent broker/dealer, engages in various types of business including corporate and municipal debt, mutual funds, direct investments and private placements. Its business model is to provide service, support, technology and education to independent financial advisors.

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FACTS AND VIOLATIVE CONDUCT

At various times during the period from February 2, 2009 through January 7, 2010, five Centaurus registered representatives ("wholesale representatives") functioned as wholesalers for an unaffiliated investment management firm. Although Centaurus 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, Centaurus' written supervisory procedures ("WSPs") did not address the supervision of wholesaling activities and Centaurus did not supervise the wholesaling activities of the wholesale representatives, in violation of NASD Rule 3010.

The wholesale representatives did not use their Centaurus e-mails for their wholesaling activities and instead typically used the investment management firm's email domain to send communications related to wholesaling the funds. Centaurus did not review or retain those emails in violation of SEC Rule 17a-4(b)(4) and NASD Rules 3010(a) and (d)(3) and 3110(a).

The wholesale representatives distributed twelve communications related to the private placements and the investment management firm (including broker-use only materials) to other FINRA member firms. Several of the communications failed adequately to disclose investing risks and were misleading, while many also made unwarranted performance claims and had other sales material content deficiencies in violation of NASD Rules 2210 and 2211.

By violating each of the above NASD rules, Centaurus also violated FINRA Rule 2010.

B. Centaurus also consents to the imposition of the following sanctions:

1. A censure; and
2. A \$25,000 fine.

Centaurus agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Centaurus has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Centaurus specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Centaurus specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against Centaurus;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Centaurus specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Centaurus further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Centaurus understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Centaurus; and
- C. If accepted:
 - 1. this AWC will become part of Centaurus' permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Centaurus;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Centaurus' disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. Centaurus may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Centaurus may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Centaurus': (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Centaurus may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Centaurus understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that person has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the Firm to submit it.

1/17/14

Date (mm/dd/yyyy)

J. Ronald King
Centaurus Financial, Inc., Respondent
By: J. Ronald King, Chief Executive Officer

Reviewed by:

G. Thomas Fleming III
G. Thomas Fleming III, Esq.
Counsel for Respondent Centaurus Financial, Inc.
Jones, Bell, Abbott, Fleming & Fitzgerald L.L.P.
601 S. Figueroa Street, 27th Floor
Los Angeles, California 90017
Telephone: 213.485.1555

Accepted by FINRA:

January 28, 2014
Date

Signed on behalf of the
Director of ODA, by delegated authority

Samuel L. Israel
for Samuel L. Israel
Associate VP & Chief Counsel
FINRA Department of Enforcement
15200 Omega Drive
Suite 300
Rockville, MD 20850