

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

Donnie E. Ingram
CRD No. 1416971,

and

Centaurus Financial, Inc.
CRD No. 30833,

Respondents.

Disciplinary Proceeding
No. 2018057298701

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. Between September 2016 and September 2018, respondent Donnie E. Ingram, a registered representative with respondent Centaurus Financial, Inc. and an investment advisor through his own SEC-registered investment advisory firm, Ingram Advisory Services, LLC (Ingram Advisory), recommended to 83 customers that they purchase 595 “standard version” Unit Investment Trusts (UITs) when there was an equivalent, lower cost “fee-based” UIT available. By recommending the standard version UITs instead of the fee-based UITs, Ingram caused his customers to incur initial and deferred sales charges that would have been waived had Ingram recommended the fee-based UITs. Ingram’s recommendations caused his customers to

incur more than \$300,000 of unnecessary, additional expenses, which resulted in a direct benefit to Centaurus and Ingram while providing no additional benefits to the customer.

2. Similarly, during this same time period, Ingram recommended that his customers purchase two alternative investments—the preferred stock of a non-traded real estate investment trust (REIT) and a non-traded business development company (BDC)—through Centaurus, instead of through Ingram Advisory, which caused his customers to pay selling commissions. These commissions could have been avoided had Ingram taken advantage of his investment advisory relationship with the customers and purchased them through Ingram Advisory. Ingram’s conduct allowed him and Centaurus to share in the selling commissions that his customers incurred while providing his customers with no additional benefits.

3. Ingram’s recommendations to these customers were unsuitable because Ingram had no reasonable basis to recommend the higher cost UITs and alternative investments when he could have recommended the lower cost UITs and alternative investments to his customers. In so doing, Ingram violated one of the industry’s fundamental principles—a registered representative cannot seek to maximize his own compensation to the detriment of his customers.

4. Ingram’s conduct violated the reasonable-basis suitability obligation in FINRA Rule 2111(a) and thereby violated FINRA Rule 2010.¹ Ingram’s conduct also independently violated FINRA Rule 2010 because Ingram failed to act with commercial honor and to observe just and equitable principles of trade in the conduct of his business.

5. In addition, Centaurus failed to reasonably supervise Ingram’s recommendations of UITs and alternative investments.

¹ FINRA Rule 2111 was amended effective June 30, 2020. The pre-June 30, 2020 version applies to the conduct at issue here and the quotations and excerpts referenced herein are to the pre-June 30, 2020 version.

6. Supervisor 1 was the branch manager responsible for directly supervising Ingram, including his recommendations of UITs and alternative investments. Supervisor 1, however, did not perform any suitability review of Ingram's UIT and alternative investment transactions as required by the firm's written supervisory procedures (WSPs) and Ingram's heightened plan of supervision.

7. Centaurus's WSPs also required a trading principal and/or a Regional Compliance Supervisor (RCS) to conduct a secondary review of Ingram's recommendations. The trading principal did not conduct any suitability review of Ingram's UIT and alternative investment recommendations during the relevant period, and the RCS review failed to consider whether the recommendations were suitable in light of the unnecessary costs and expenses the customers incurred by purchasing the standard version UITs and alternative investments at issue.

8. Ultimately, Centaurus failed to conduct a reasonable supervisory review of Ingram's recommendations of UITs and alternative investments during the relevant period, in violation of FINRA Rules 3110(a) and (b) and 2010.

RESPONDENTS AND JURISDICTION

Ingram

9. Ingram first became registered with FINRA through his association with a member firm in October 1985.

10. Between February 1997 and July 2016, Ingram was registered with FINRA as a General Securities Representative and General Securities Principal through an association with a former member firm.

11. From July 15, 2016 through October 1, 2020, Ingram was registered with FINRA through his association with Centaurus in those same capacities.

12. On October 1, 2020, Centaurus filed a Uniform Termination Notice for Securities Registration (Form U5) disclosing that Ingram voluntarily resigned.

13. Although Ingram is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (1) the Complaint was filed within two years after October 1, 2020, which was the effective date of termination of Ingram's registration with Centaurus, and (2) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member.

14. In July 1999, Ingram formed Ingram Advisory and in September 1999 became registered with the State of Florida as an Investment Advisor. In March 2021, Ingram voluntarily terminated his registration with Ingram Advisory.

Centaurus

15. Centaurus became a FINRA member firm in April 1993. Centaurus is a privately held independent broker-dealer headquartered in Anaheim, California with approximately 390 branch offices and approximately 600 registered individuals. Centaurus engages in various types of business including corporate and municipal debt, mutual funds, annuities, alternative investments and private placements. Centaurus is currently a FINRA member and is therefore subject to FINRA's jurisdiction.

FACTS

Ingram's Business Structure

16. At all relevant times, Ingram owned and operated the Winter Haven, Florida branch of Centaurus. This branch employed five registered representatives.

17. Separately, at all relevant times, Ingram was also the sole managing member and owner of Ingram Advisory.

18. When Ingram began his association with Centaurus in July 2016, the vast majority of Ingram's customers at Centaurus were also clients of Ingram Advisory. These customers had both advisory agreements with Ingram Advisory and brokerage accounts at Centaurus. These customers held their securities solely through their accounts at Centaurus.

19. Each Ingram Advisory client executed Ingram Advisory's Client Services Agreement (Ingram Advisory Agreement). Pursuant to the Ingram Advisory Agreement, Ingram Advisory would open an account for the client and "develop an investment strategy to include the initial asset allocation within the Account and provide guidance as to how the account is to be managed." Ingram Advisory was authorized "to render investment management on a discretionary basis," and Ingram Advisory and the client agreed that all transactions in the account "will be executed on a discretionary basis" by Ingram Advisory. Customers of Ingram Advisory paid an annualized advisory fee "expressed as a percentage of the market value of the account as of the close of business on the last day of the preceding quarter."

20. The Ingram Advisory Agreement also authorized Ingram Advisory to open a brokerage account for the client through Centaurus to hold the investments and appointed Centaurus "as the sole and exclusive broker/dealer" for the client account. According to the Ingram Advisory Agreement, the client authorized Ingram Advisory to debit the advisory fees from the Centaurus brokerage account each quarter.

21. The Ingram Advisory Form ADV Part 2A, dated July 22, 2016, which was in effect during the relevant period, stated that "[Ingram Advisory's] goal is to protect your

interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you.”

Supervisor 1’s Role Within Ingram’s Business Structure

22. Ingram hired Supervisor 1 to be the Chief Compliance Officer (CCO) of Ingram Advisory in 2008. Ingram Advisory paid Supervisor 1 a salary to be its CCO. In his role as CCO of Ingram Advisory, Supervisor 1 supervised Ingram, the owner of Ingram Advisory.

23. In addition to serving as CCO of Ingram Advisory, Supervisor 1 also served as branch manager of Centaurus’s Winter Park, Florida branch, which Ingram owned and operated. Beginning in 2018, Supervisor 1 also was responsible for implementing Ingram’s heightened supervision plan at Centaurus. Centaurus placed Ingram on heightened supervision effective January 1, 2018, because six suitability-related arbitrations were filed against Ingram during the preceding two years.

24. In addition to supervising Ingram, Supervisor 1, as branch manager, was primarily responsible for performing a suitability review of each transaction that was recommended through the branch.

25. At all relevant times, Ingram purchased the securities that he recommended to his customers through their brokerage accounts at Centaurus, charging a commission. After purchase, the securities were held in the customer’s brokerage account at Centaurus.

26. For those customers who were both investment advisory clients and Centaurus customers, Ingram would also charge an advisory fee based on the assets under management (AUM) in the brokerage account. Ingram’s advisory fees ranged from 1% to 2% per annum and were charged in quarterly installments based on the AUM on the last day of the quarter in each customer’s account.

27. Ingram and Supervisor 1 performed a review of the advisory fees to be charged to the clients each quarter before the figures were sent to Centaurus to be withdrawn from the brokerage account.

Ingram's Unsuitable UIT Recommendations

28. A UIT is one of three basic types of investment companies registered with the SEC under the Investment Company Act of 1940. UITs are assembled by a sponsor and publicly offered to investors through broker-dealers and investment advisors. The sponsor-issued securities, typically called "units," represent undivided interests in a portfolio of securities maintained in a trust that are issued for a specific term. Generally, that portfolio is not actively traded and follows a "buy-and-hold" strategy. A UIT terminates on a specified maturity date at which point the underlying securities are sold and the resulting proceeds are paid to the investors.

29. When a customer purchases a standard version UIT, the customer incurs transactional sales charges, including an initial sales charge of up to 1% of the purchase price, a deferred sales charge of between 1.35% and 2.45% of the purchase price, and a creation and development fee of an additional 0.5%. The majority of a standard version UIT's total sales charge is paid as a "dealer concession" to the broker-dealer selling the units.

30. A customer is eligible to purchase a fee-based UIT (as opposed to a standard version UIT) even if the customer's account is held at a broker-dealer. When a customer purchases a fee-based UIT, the customer only incurs the creation and development fee. The UIT sponsor will waive the initial and deferred sales charge. The UIT sponsor eliminates the initial and deferred sales charge for purchases of fee-based UITs because the customer is typically paying periodic advisory fees from the account as compensation to the advisor.

31. Customers who purchase standard version UITs pay the full transactional sales charge for their UIT purchases, while customers who purchase fee-based UITs pay only a small part of the transactional sales charge.

32. Therefore, fee-based units are less expensive for customers than the standard version of the same UIT.

33. With respect to UITs, Centaurus's WSPs inform registered representatives that "[t]o abide by FINRA Rule 2111, the starting point for the Registered Representative is to first understand the features, risks, benefits and *costs* associated with UITs before recommending a UIT to a customer." (Emphasis added.)

34. Between September 2016 and September 2018, Ingram regularly recommended that his customers purchase UITs and executed these purchases for his customers' brokerage accounts at Centaurus. Ingram always recommended and purchased standard version UITs that caused his customers to incur the full amount of the transactional sales charges. After Ingram purchased the standard version UITs for his customers, Ingram immediately included the value of the UIT as part of the AUM in the customer's Centaurus account for which Ingram charged periodic advisory fees.

35. Ingram continued his practice of recommending the standard version of the UITs to customers and then including the UITs in the AUM calculations until Centaurus told him he could no longer do so, in August 2018.

36. Between September 2016 and September 2018, Ingram recommended and effected 595 UIT purchases across 83 customer brokerage accounts at Centaurus. For each purchase, Ingram recommended and purchased the standard version UIT, rather than the lower cost fee-based UIT.

37. Other than causing the customer to incur the full transactional sales charges by purchasing the standard version UIT, there was no difference between the standard version UIT that Ingram recommended and purchased for his customers and the fee-based UIT. There was no difference in the portfolio of securities represented in the fee-based UIT compared to the standard version UIT.

38. Ingram understood at the time he made these recommendations that he could have recommended and purchased the lower-cost fee-based UIT for his customers' brokerage accounts.

39. Ingram recommended the higher-cost standard version UIT because it allowed him to receive as compensation a percentage of the transactional sales charge that the customer paid to the UIT sponsor, which the sponsor then paid to Centaurus as a dealer concession.

40. Ingram also understood at the time he made the recommendations that there was no additional benefit to his customers from purchasing the standard version UIT and that they would have benefitted from the lower expenses associated with the fee-based UITs.

41. The fee-based units outperformed the standard version units of the UITs that Ingram recommended and purchased for his customers due to the higher costs associated with the standard version units.

42. Ingram's recommendation that his customers purchase standard version UITs instead of the fee-based UITs caused his customers to pay more than \$300,000 in additional transactional sales charges for which the customers received no benefit.

43. The transactional sales charges, however, resulted in a substantial benefit to Ingram and Centaurus. The UIT sponsors paid approximately 90% of the transactional sales charges that Ingram's customers paid as dealer concessions to Centaurus for acting as the

introducing broker-dealer on the transactions. Ingram received 95% of the transactional sales charges paid to Centaurus as compensation pursuant to his agreed commission payout.

44. Despite understanding that his customers would have benefitted from purchasing the fee-based UITs, Ingram nonetheless purchased the standard version UITs for his own financial benefit.

Ingram's Unsuitable Alternative Investment Recommendations

45. Certain investments that do not fall under a common category such as conventional equity and fixed income investments are typically referred to as non-conventional or alternative investments. During the relevant period, Centaurus identified both non-traded REITs and BDCs as alternative or non-conventional investments (NCIs) in its WSPs.

46. REITs are corporations, trusts or associations that own or manage income-producing real estate. There are two types of public REITs: those that trade on a national securities exchange and those that do not. REITs in this latter category are generally referred to as publicly registered non-exchange traded, or simply, non-traded REITs.

47. Some of the major risks of non-traded REITs include illiquidity, restrictive early redemption of shares, high front-end costs and non-guaranteed distributions.

48. Non-traded REITs typically offer common stock. Non-traded REITs that offer preferred shares of stock have similar risks but offer investors some liquidity in that they can sell their shares back to the company at any point but must pay a redemption fee that decreases annually over a number of years. Generally, the redemption fee starts at 13% during the first year.

49. BDCs are closed-end investment companies that primarily invest in small and medium-sized enterprises that cannot otherwise easily raise capital. As with non-traded REITs,

non-traded BDCs are not traded on a national securities exchange. Non-traded BDC investments involve some of the same risks as non-traded REITs and other private placements that expose investors to heightened levels of leverage and credit risk as well as illiquidity.

50. Among other investments during the relevant period, Ingram recommended and purchased two alternative investments for his customers: Bluerock Residential Growth REIT Inc. (BRG), which was an offering of preferred stock of a non-traded REIT; and MacKenzie Realty Capital, Inc. (MAC), a non-traded BDC.

51. The prospectus for each of these offerings addressed compensation for broker-dealers and investment advisors. BRG and MAC paid selling commissions of up to 7% of the gross offering proceeds to participating broker-dealers. But, BRG did not pay any selling commissions in connection with the sale to investors whose contracts for investment advisory and related brokerage services include a fixed or “wrap” fee feature. The BRG prospectus further stated “[i]nvestors may agree with their participating broker-dealers to reduce the amount of selling commissions payable with respect to the sale of their Units down to zero (i) if the investor has engaged the services of a registered investment advisor, or RIA, or other financial advisor who will be paid compensation for investment advisory services or other financial or investment advice.” Similarly, the MAC prospectus stated that if shares were purchased through investment advisors, no selling commissions would be payable.

52. The BRG offering price was \$1,000 per unit. Investors with an investment advisory relationship, however, would instead pay only \$930 per unit.

53. The MAC offering price was \$10 per share. Investors with an investment advisory relationship, however, would instead pay only \$9.19 per share.

54. Centaurus entered into selling agreements with MAC and BRG in July 2014 and May 2016, respectively. Under those selling agreements, Centaurus was to be paid up to 7% of the gross proceeds of its sales.

55. Although Ingram could have elected to enter into selling agreements with MAC and BRG on behalf of Ingram Advisory and then purchased those alternative investments at a reduced cost to his customers, he elected not to do so.

56. Instead, Ingram purchased the alternative investments through Centaurus pursuant to Centaurus's selling agreements with MAC and BRG, earning commissions and causing his customers to pay higher costs.

57. Between October 2016 and June 2017, Ingram recommended BRG and MAC to nine customers who had Centaurus brokerage accounts and also entered into advisory agreements with Ingram Advisory. For each of these nine customers, Ingram purchased these alternative investments through Centaurus, thereby earning Centaurus a seven percent selling commission on each purchase. Pursuant to his agreement with Centaurus, Ingram, in turn, received 95% of the commissions BRG and MAC paid to Centaurus. Centaurus and Ingram received \$54,600 in total commissions charged on these purchases.

58. Had Ingram caused Ingram Advisory to enter into selling agreements with BRG and MAC and purchased those investments through Ingram Advisory, Ingram and Centaurus would not have earned any selling commission on these transactions.

59. Ingram purchased the alternative investments through Centaurus in order to earn a selling commission for himself and Centaurus.

60. Other than the selling commission that Ingram and Centaurus received, the underlying securities had the same features and benefits.

The Unreasonable Supervision of Ingram's Sales of UITs and Alternative Investments

61. Centaurus employed a supervisory system in which business was reviewed and approved by assigned branch managers, trading principals, and RCSs. The first level of supervision and oversight belonged to the branch manager who was responsible for the review and processing of orders and the suitability of the recommended transactions.

62. As detailed in the firm's WSPs, a UIT order form must be completed and signed by the customer and the registered representative and then forwarded to the branch manager for review. The order form is then sent to a principal on Centaurus's trading desk to conduct a completeness assessment before being forwarded to the RCS for final approval.

63. The trading principal's completeness assessment encompassed ensuring that all of the requisite information was available, accurate and complete in order to input the trade into the execution system.

64. Centaurus's WSPs further state that "the principals shall carefully review the [UIT order] form for potential violations of Breakpoint Sales . . . unsuitable transactions and other potential B/D and industry rule infractions."

65. During the relevant period, no trading principal at Centaurus conducted any suitability review of Ingram's UIT recommendations. A RCS also did not review the suitability of Ingram's UIT recommendations.

66. Centaurus's WSPs applicable to alternative investments or NCIs state that "[a]ll recommended NCI transactions must be pre-approved by the Registered Representative's Branch Manager, and all such transactions will be reviewed by the Regional Compliance Officer."

67. During the relevant period, Centaurus's RCS responsible for Ingram's alternative investment recommendations failed to consider the costs of Ingram's recommendations as part of his review.

68. Between September 2016 and September 2018, Supervisor 1 was the Winter Park, Florida branch manager for Centaurus and Ingram's direct supervisor. In that capacity, Supervisor 1 was responsible for supervising Ingram and for the review and processing of orders and the suitability of Ingram's recommended transactions, including UITs and alternative investments.

69. Supervisor 1 did not, however, conduct a suitability review of Ingram's UIT and alternative investment recommendations. Supervisor 1 failed to conduct a suitability review of Ingram's recommendations because he did not understand that it was his responsibility to do so.

70. Supervisor 1 knew of Ingram's practice of recommending that his customers purchase standard version UITs and alternative investments through Centaurus, which were more expensive due to the transactional sales charges.

71. Supervisor 1 also knew that Ingram recommended the higher-cost UITs for "the compensation."

72. In addition, effective January 1, 2018, Supervisor 1 was responsible for Ingram's heightened supervision plan. Pursuant to the terms of the heightened supervision plan, Supervisor 1 was responsible for reviewing Ingram's securities production "on a daily basis." Supervisor 1 also was obligated to "ensure all transactions conform to industry and Firm standards on suitability and concentration of asset classes."

73. Although 229 of the UIT purchases Ingram made for customers that are at issue in the complaint occurred while Ingram was on heightened supervision, Supervisor 1 still did not conduct a suitability review of any of these purchases.

74. As a result, Centaurus failed to reasonably review the suitability of Ingram's UIT and alternative investment recommendations for his customers.

FIRST CAUSE OF ACTION
Ingram Lacked a Reasonable-Basis to Recommend
UITs and Alternative Investments
(Violations of FINRA Rules 2111(a) and 2010)

75. The Department of Enforcement realleges and incorporates by reference all paragraphs above.

76. FINRA Rule 2111(a) states that “[a] member or associated person must have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the member or associated person to ascertain the customer’s investment profile. A customer’s investment profile includes, but is not limited to, the customer’s age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information the customer may disclose to the member or associated person in connection with such recommendation.”

77. As explained in Supplementary Material .05(a), “Rule 2111 is composed of three main obligations: reasonable-basis suitability, customer-specific suitability, and quantitative suitability.”

78. In accordance with Supplementary Material .05(a) to FINRA Rule 2111 “[t]he reasonable-basis obligation requires a member or associated person to have a reasonable basis to

believe, based on reasonable diligence, that the recommendation is suitable for at least *some* investors. In general, what constitutes reasonable diligence will vary depending on, among other things, the complexity of and risks associated with the security or investment strategy and the member's or associated person's familiarity with the security or investment strategy. A member's or associated person's reasonable diligence must provide the member or associated person with an understanding of the potential risks and rewards associated with the recommended security or strategy. The lack of such an understanding when recommending a security or strategy violates the suitability rule."

79. FINRA Rule 2010 requires FINRA member firms and associated persons to "observe high standards of commercial honor and just and equitable principles of trade" in the conduct of their business.

80. A violation of FINRA Rule 2111 constitutes a violation of FINRA Rule 2010.

81. Where a registered representative has discretion over a customer's account, the transactions are deemed to have been implicitly recommended for purposes of the suitability rule.

82. During the relevant period, Ingram recommended that his customers purchase standard version units that caused the customers to incur transactional sales charges, instead of the fee-based units of the same UIT that would have avoided most of these same transactional sales charges and which were available to the customers.

83. Ingram was aware of the costs and expenses and his ability to purchase the fee-based UITs. Despite understanding that his customers would have benefitted from purchasing the fee-based UITs by paying lower costs for the same security, Ingram nonetheless recommended

and purchased the standard version UITs in his customers' accounts for his own financial benefit and to the detriment of his customers.

84. Ingram also recommended that nine of his customers purchase alternative investments through Centaurus thereby incurring selling commissions that could have been avoided had Ingram instead recommended that his customers purchase the same alternative investments for less that were available as a result of the customers' investment advisory agreement through Ingram Advisory.

85. Ingram was aware of the costs and expenses and his ability to enter into selling agreements with alternative investment issuers on behalf of Ingram Advisory that would have allowed his customers to avoid paying selling commissions. Despite understanding that his customers would have benefitted from purchasing the lower-cost alternative investments through Ingram Advisory, Ingram nonetheless recommended and purchased alternative investments through Centaurus for his own financial benefit and to the detriment of his customers.

86. Ingram had no reasonable basis to recommend that his customers purchase the more expensive standard version UITs and to purchase alternative investments through Centaurus when he knew that these same customers could have purchased these investments for less and received the same benefits.

87. Based on the foregoing, Ingram violated FINRA Rules 2111(a) and 2010.

SECOND CAUSE OF ACTION
Ingram's UIT and Alternative Investment Recommendations Violated FINRA Rule 2010
(Violations of FINRA Rule 2010)

88. The Department of Enforcement realleges and incorporates by reference all paragraphs above.

89. FINRA Rule 2010 requires FINRA member firms and associated persons to “observe high standards of commercial honor and just and equitable principles of trade” in the conduct of their business.

90. As alleged in paragraphs 75 to 87 above, Ingram recommended standard version UITs and alternative investments that were more expensive for his customers without providing any additional benefit.

91. Ingram did not act with commercial honor and observe just and equitable principles of trade when he recommended that his customers purchase the more expensive standard version UITs when the fee-based UITs were equally available at a lower cost. Similarly, Ingram did not act with commercial honor and observe just and equitable principles of trade when he recommended that his customers purchase alternative investments through Centaurus when he knew that these same customers could have purchased these investments without paying selling commissions based on the customers’ investment advisory relationship with Ingram Advisory.

92. Based on the foregoing, Ingram violated FINRA Rule 2010.

THIRD CAUSE OF ACTION
Centaurus Failed to Reasonably Supervise Ingram’s UIT and
Alternative Investment Recommendations
(Violations of FINRA Rules 3110(a) and (b) and 2010)

93. The Department of Enforcement realleges and incorporates by reference all paragraphs above.

94. FINRA Rule 3110(a) requires that each member “establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.”

95. FINRA Rule 3110(b)(1) requires that each member “establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.”

96. A violation of FINRA Rule 3110 constitutes a violation of FINRA Rule 2010.

97. Centaurus failed to reasonably supervise Ingram’s recommendations of UITs and alternative investments to achieve compliance with FINRA Rules 2111 and 2010.

98. As branch manager and Ingram’s direct supervisor, Supervisor 1 was responsible for reviewing the suitability of Ingram’s recommendations, including UITs and alternative investments.

99. During the relevant period, and in violation of Centaurus’s supervisory procedures, Supervisor 1 failed to conduct any suitability review to determine if Ingram’s recommendations of standard version UITs to his customers were suitable in light of the fact that identical, lower cost fee-based UITs were available. Similarly, Supervisor 1 did not review whether Ingram’s recommendations to purchase alternative investments through Centaurus were suitable where investment advisory customers were eligible to purchase those investments without a commission.

100. Supervisor 1’s supervisory failure continued during the period when Supervisor 1 was responsible for implementing Ingram’s heightened supervision program in 2018.

101. Centaurus failed to enforce its supervisory procedures in multiple ways. Not only did it fail to ensure that Supervisor 1 was conducting a suitability review of Ingram’s recommendations, but Centaurus’s trading principal also did not perform any suitability review

to determine if Ingram's recommendations of UITs were suitable, as required by the firm's WSPs.

102. Centaurus also failed to ensure that the RCS's review of Ingram's alternative investment recommendations included a consideration of the costs that the customers incurred in purchasing alternative investments through Centaurus when identical, lower cost alternatives of the same securities were available.

103. In sum, Centaurus failed to conduct a reasonable supervisory review of the suitability of Ingram's recommendations of UITs and alternative investments during the relevant period.

104. Based on the foregoing, Centaurus violated FINRA Rules 3110(a) and (b) and 2010.

RELIEF REQUESTED

WHEREFORE, the Department of Enforcement respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondents committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a) be imposed, including that Respondents be required to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest; and
- C. order that Respondents bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: September 27, 2022



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