Regulation Best Interest Disclosures

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Introduction

As an investor, it is important that you take the time to understand your investment options and have an investment plan to help you meet your financial goals. It is also important that you understand the potential benefits, risks, fees and costs of the services that are provided to you. At Centaurus Financial, Inc. ("Centaurus," "the Firm," "we," "our," "us"), we strongly believe that you, our customer, deserve full transparency. In line with this belief, we provide this disclosure to you to inform you about the services we offer. This disclosure addresses critical topics on which an investor should be fully informed before investing including, among other things, the scope and terms of our relationship with you, the capacity in which your Financial Professional ("FP") is acting, the type and scope of our services, any material limitations on our services, the fees, commissions and costs associated with your accounts and transactions, and the conflicts of interest that exist for us and our FPs. Please be sure to review this disclosure in its entirety. You should consult your FP before opening an account or investing through our Firm if you have any questions or concerns regarding the contents of this document.

Our Relationship with You

The Capacity

Centaurus is both a broker-dealer and Registered Investment Adviser ("RIA") registered with the Securities and Exchange Commission ("SEC"). It is also a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"), often referred to as a dual-registrant. Although many of our FPs offer both brokerage and investment advisory services, some may only offer brokerage services and others may only offer investment advisory services. Your FP may therefore be acting as a registered representative (or broker) of our broker-dealer and/or as an investment adviser representative ("IAR") of our RIA.

When you are discussing services with your FP, you should always know the capacity in which your FP is acting or will be acting in that brokerage and investment advisory services differ. You should understand and carefully consider these differences when deciding which services and accounts are right for you. Your FP will discuss with you whether a brokerage or advisory account is in your best interest given your specific goals, objectives and circumstances.

All recommendations regarding your brokerage account will be made in a broker-dealer capacity. All services and advice regarding your advisory account will be made in an advisory capacity. When making a recommendation or providing advice to you, your FP will expressly identify which account they are discussing.

<u>Broker-Dealer Capacity</u>

Our provision of Brokerage services allows you to present us with instructions to buy, sell and hold investments on your behalf. Your FP helps you identify your investment profile, goals and strategies to assess which types of investments may be appropriate for you. Your FP discusses your financial circumstances, including factors such as your risk tolerance, time horizon, investment objectives, investment experience and liquidity needs. As a broker, your FP will make recommendations to you based on your financial and investment profile. Upon receiving your instructions, we execute the securities transactions. Your FP will not make investment decisions for you or manage your brokerage account on a discretionary basis. When your FP acts in a broker-dealer capacity, you make each investment decision and do not delegate such decisions to us. Absent a specific written agreement providing discretion, we cannot take actions such as buying or selling securities in your brokerage account without first obtaining your consent.

Depending on your account type, we may make recommendations about your investments for you to consider. Investment options include, but are not limited to, stocks, bonds, certificates of deposit ("CDs"), exchange traded funds ("ETFs"), mutual funds, annuities or alternative investments. Additionally, your money can be held in cash, money market mutual funds or FDIC-insured bank deposit programs.

Our brokerage accounts do not have minimum account requirements, although some of the investments you wish to purchase may have qualification or minimum investment requirements as detailed in the investment's prospectus or offering memorandum. As a broker-dealer, we are subject to the Securities Act of 1933, the Securities Exchange Act of 1934, SEC and FINRA rules and regulations and other applicable federal and state securities laws.

Investment Adviser Capacity

Our provision of Investment Advisory services allows you to choose how involved you want to be with daily investment decisions. You may choose to delegate such decisions to investment professionals or choose a hands-on approach. Centaurus, through its RIA, makes available several types of advisory services. The services we offer depend on which services you select.

THE REMAINDER OF THIS DOCUMENT WILL PERTAIN TO THE CAPACITY, TYPE AND SCOPE OF SERVICES, MATERIAL LIMITATIONS, FEES, COSTS AND CONFLICTS OF INTEREST RELATED TO OUR BROKER-DEALER. FOR LIKE INFORMATION RELATED TO OUR RIA, YOU MAY REVIEW OUR RIA's FIRM BROCHURE, OTHERWISE KNOWN AS FORM ADV, PART 2A, AVAILABLE ONLINE BY SEARCHING AT https://adviserinfo.sec.gov.

Type and Scope of Brokerage Services

Services

Our FPs can recommend securities transactions to you and we can execute securities transactions on your behalf, including the buying and selling of securities (including investment funds and products) that can be held in brokerage accounts, which may include accounts held with our clearing firm(s) such as traditional brokerage accounts, education savings accounts, IRA accounts and margin accounts, or directly held accounts.

When you open a brokerage account with Centaurus, we act as the "introducing broker-dealer" and Pershing LLC ("Pershing") acts as the "clearing broker" or "custodian." As the clearing firm, Pershing executes orders at our direction when we receive orders to buy and sell securities from our customers. Pershing charges fees to Centaurus for providing its services and Centaurus passes those fees on to you, our customer. In some cases, we charge higher fees to our customers than we are charged by Pershing for services we provide, resulting in higher fees to you.

Our FPs do not monitor your account after a securities transaction is effected for you, including those investments they recommend for you. However, our FP may voluntarily review your holdings from time to time and may or may not make recommendations to you based on these reviews. This voluntary review is not considered to be "account monitoring," and does not create an implied agreement with you to monitor your account.

We also offer the option to hold cash in a cash sweep vehicle, including money market mutual funds or FDIC-insured accounts. In addition, the type and scope of the brokerage services we offer include a number of services related to investments in securities, including taking customer orders, executing securities transactions, and providing general information regarding your investments.

Our brokerage services include recommendations concerning whether to buy, sell or hold securities. Our services also include recommendations of investment strategies involving securities, which includes recommendations of account types, and the rollover or transfer of assets, such as rolling over retirement plan assets into an IRA account. In addition, our brokerage services include certain margin account services, where you are extended credit (a loan) for the purpose of buying securities. We also can provide securities-based loans (non-purpose loans) through which you can collateralize securities held in your brokerage account to borrow funds that can be used for anything except to invest in financial securities or reduce a margin balance.

Account Categories, Types and Features

In order to receive any of our brokerage services described above, you must first open an account with us. The account(s) you establish will generally fall into two categories. These categories can be described as 1) held with us through our custodian or 2) held directly with a product sponsor or investment company. Both categories offer an array of account types and features. Examples of account types include individual retirement account types (e.g., Traditional, ROTH, SIMPLE, SEP IRAs), retirement plan account types (e.g., 401k plans, profit sharing plans), non-retirement account types (e.g., Individual, Joint, Trust, Corporate), education account types (e.g., college savings plans), etc. Account features available for these account types may include the ability to trade options, use margin, write checks, establish periodic contributions and/or distributions, automatically sweep free credit

balances into interest-bearing products, etc. These account categories, types and features are intended to address the different needs and objectives of our customers.

Our Investment Philosophy

Centaurus provides services to a broad base of customers. We cater to individuals and families with varying investment profiles. Our platform includes publicly traded securities and investment funds, non-traded securities and products, and investment strategies of which one or more may meet the objectives of our customers.

We require our FPs to have a reasonable basis, taking into account the potential risks, rewards and costs associated with a recommendation, to believe that each recommendation made is in your best interest, and does not place the interest of your FP or the Firm ahead of your interest.

In determining whether the recommendation is in your best interest, we consider your individual investment profile. The information in your investment profile includes, but is not limited to, your age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and other information that you may disclose to us or your FP in connection with a recommendation.

WHILE WE WILL TAKE REASONABLE CARE IN DEVELOPING AND MAKING RECOMMENDATIONS TO YOU, SECURITIES INVOLVE RISK, AND YOU MAY LOSE MONEY. THERE IS NO GUARANTEE THAT YOU WILL MEET YOUR INVESTMENT GOALS, OR THAT OUR RECOMMENDED INVESTMENT STRATEGY WILL PERFORM AS ANTICIPATED. PLEASE CONSULT ANY AVAILABLE OFFERING DOCUMENTS FOR ANY SECURITY WE RECOMMEND FOR A DISCUSSION OF RISKS ASSOCIATED WITH A PRODUCT. WE CAN PROVIDE THOSE DOCUMENTS TO YOU, OR HELP YOU TO FIND THEM.

Material Limitations

Notwithstanding the wide range of our brokerage services, there are certain material limitations on our services and the services of our FPs. These limitations are set forth below.

Financial Professional Limitations

Not all of our FPs can offer the full range of investments and services we offer. For instance, some of our FPs are licensed to offer brokerage services only, whereas some of our other FPs are licensed to offer both brokerage and advisory services. FINRA offers several different types of licenses for FPs. As such, some of our FPs are licensed to offer only certain types of investments, such as mutual funds, and are unable to offer every investment we make available. This is a material limitation on the securities or investment strategies that your FP may recommend to you, and you should discuss any such limitations with your FP. The licensing status of your FP is publicly available. You may research your FP’s experience and licenses on FINRA’s BrokerCheck website at https://brokercheck.finra.org/.

Investment Offering Limitations

While we offer a wide range of investments, including investment funds and products, there may be certain types of investments or specific products that we do not offer. For instance, we do not offer all mutual funds from every single mutual fund company issuer, or every type of ETF. We also do not offer every type of annuity product or college savings plan. This means that our FPs are limited to recommending only those investments that we are authorized, or authorize them, to offer. This can be a material limitation on the securities or investment strategies that our FPs may recommend to you, depending on your investment profile and interests.

Discretionary Investment Authority

Our FPs do not generally make investment decisions for you or manage your brokerage account on a discretionary basis. Because our FPs do not have discretionary investment authority, this means that we generally cannot buy or sell investments in your brokerage account without first obtaining your consent. Our FPs may recommend investments to you, but you are responsible for making the ultimate decision whether to purchase or sell investments. We will only do so when specifically directed by you. This is a material limitation on our services and the services of our FPs.

Discounted Commissions

We are a full-service brokerage firm, not a "discount" brokerage firm. Given the wide range of brokerage services we and our FPs offer you as a full-service brokerage firm, we do not offer discounted brokerage commissions. Therefore, if you buy or sell securities in your brokerage account, you may pay a higher commission to do so with us. This is a material limitation on our services.

Fees and Costs

This section of the document addresses the material fees and costs associated with your account, transactions and holdings. As our fees vary with the transaction or service you receive, we have divided this section into two parts – initially focusing on the fees and costs associated with your account, followed by the fees and costs associated with transactions in your account and investment holdings that our FPs could recommend.

Fees and Costs Associated With Your Account

Your account fees depend on the type of account(s) you have with us. Unlike transaction-based fees, the fees associated with your account are typically paid annually. However, some account-based fees are associated with specific transactions, as described more fully below.

AS OF THE DATE OF THIS DOCUMENT, THE INFORMATION BELOW INCLUDES MATERIAL ACCOUNT LEVEL FEES RELATED TO ACCOUNTS HELD WITH US THROUGH OUR CUSTODIAN. THESE FEES ARE SUBJECT TO CHANGE. YOU CAN OBTAIN AN UPDATED VERSION OF THIS DOCUMENT AT ANY TIME BY VISITING https://www.centaurusfinancial.com/investor-information.

Annual Maintenance Fee

You are charged a fee for the maintenance of your brokerage account. This account fee relates to certain maintenance services provided to your brokerage account and reimburses us and our custodian for certain operational expenses that are incurred when maintaining your account. For non-retirement brokerage accounts, there is no annual fee for active accounts. Inactive non-retirement brokerage accounts are assessed an annual fee of $45.00. For retirement brokerage accounts, the annual fee typically ranges between $55.00 and $125.00.

Account Transfer Fee

You are charged a fee for non-retirement brokerage accounts if you transfer your account to another broker-dealer. This fee is typically $95.00.

Account Termination Fee

You are charged a fee for retirement brokerage accounts if you choose to close your account. This fee is typically $95.00

Margin Fee

You are charged for margin services, where our custodian extends credit (a loan) to you for the purpose of buying securities. Margin fees, which are typically the interest associated with the margin loan, compensate our clearing firm and us for the cost and risk of lending money to you. Margin interest rates typically range from 5% to 10%, depending on your account balance and current interest rates.

Wire Transfer Fee

You are charged a fee to wire cash from your account to another account held outside of our Firm. This fee is typically $30 per domestic wire transfer.

Overnight Mailing Fee

You are charged a fee if you request a check to be mailed via overnight delivery. This fee is typically $12.00.

Transaction Service Fee

You are charged a fee for each securities trade executed in your account. This fee typically ranges between $3.50 and $50.00 and does not include any commission your representative will charge.

The above account level fees have been identified as material and thus are not all-inclusive. For an all-inclusive schedule of fees related to accounts held with us through our custodian, please contact your FP.

For related account level fees for accounts held directly with product sponsors and investment companies, please refer to the applicable fee schedules offered by these companies or ask your FP.

Fees and Costs Associated with Transactions and Holdings

We are paid each time you "trade" in your brokerage account or make a new investment. This payment is typically called a "commission," but it may also be called a "sales charge" or a "markup." This kind of payment presents a conflict for us because it creates an incentive to encourage you to trade more and make additional investments. The commission rate or amount varies depending on the investment and the size or amount of the transaction. More information about commission payments, sales charges and markups is discussed in further detail below.

In addition, investments that are interests in investment funds, such as mutual funds and unit investment trusts ("UITs"), or products, such as college savings plans and variable insurance products, bear ongoing fees and expenses that are embedded into the cost of the investment holding. You pay these ongoing fees and expenses indirectly because they are factored into the cost of the investment. More information about ongoing fees and expenses associated with investment funds and variable insurance products is available in the fund or product prospectus.

Because the fees and costs vary among investments, the fee and cost information regarding the types of transactions and investment holdings generally purchased or traded by our customers is set forth below.

In association with transactions you make and in addition to commission charges, the Firm charges service fees for each transaction which takes into consideration many of the fees and services the Firm and its FPs cover to service your accounts. Some of those fees may include, but are not limited to, delivery of confirmations, monthly account statements, account setup, reviews, real time quotation systems and research. Please see your confirmation, which provides you with the details of your transaction(s) and includes the service fee. Service fees may differ depending on your FP. Please speak to your FP to understand your service fee.

Equities

We offer a wide range of equity securities (stocks), which give stockholders a share of ownership in a company. Stocks are a very common investor holding. Before deciding to buy or sell stock in, for example, a publicly traded company, it is important for you to evaluate the risks associated with the company. As part of this evaluation, you will want to carefully review the company's relevant disclosure documents, such as its initial registration statement and prospectus in the case of an initial public offering, or its most recent audited financial statement in the case of a market transaction. Stocks in public companies are registered with the SEC and, in most cases, these companies are required to file reports with the SEC quarterly and annually. You may access these disclosure documents on the SEC's website at https://www.sec.gov/edgar/searchedgar/companysearch.html.

It is important to note that stock prices move down as well as up. There is no guarantee that a company's stock you hold will grow in value, and there is a possibility that you can lose all your money when you invest in stocks. If a company goes bankrupt and its assets are liquidated, common stockholders are the last in line to share in the proceeds. The company's bondholders will be paid first, then holders of preferred stock. If you are a common stockholder, you get whatever is left, which may be nothing. Even when companies are not in danger of failing, their stock price may fluctuate up or down. Large company stocks as a group, for example, have lost money on average about one out of every three years. If you have to sell shares on a day when the stock price is below the price you paid for the shares, you will lose money on the sale. Market fluctuations can be unnerving to some investors. A stock's price can be negatively affected by factors inside the company, such as a faulty product, or by events the company has no control over, such as political or market events.

Fees and Costs

When buying and/or selling stocks, you incur fees. You will typically pay a commission every time you buy or sell an equity security in a brokerage account. You will pay this commission in addition to the price you pay for the equity security you choose to buy or sell. This commission will generally range between 0% and 5% of the principal dollar amount of the trade. The higher end of the

range is typically associated with trades with lower principal dollar amounts, while the lower end of the range is typically associated with trades with higher principal dollar amounts.

In lieu of a commission, you may pay a "markup" when you buy an equity security or a "markdown" when you sell an equity security. Instead of charging you a commission to perform the transaction for you, we mark up or mark down the price of the equity from the price we paid for or sold the security. The markup/markdown thus represents the difference between the price we paid for an equity security and the price at which it is sold to you or bought from you by us. The amount of compensation of the markup/markdown will generally fall in the same percentage range as discussed above for commissions.

When placing a trade, your FP will discuss the related commission or markup/markdown amount with you. You will also receive a written trade confirmation from our custodian after your trade is executed which will detail these amounts.

More Information

You may obtain information about equity securities generally by visiting the SEC's website at
https://www.investor.gov/introduction-investing/investing-basics/investment-products

Bonds

We offer a wide range of bonds, including corporate bonds, government bonds and municipal bonds. Bonds are debt securities issued by corporations, governments or other entities that pay fixed or variable interest rates to investors for a specific period of time. When the bond reaches maturity, the bond issuer generally returns the principal amount of the bond to investors. There are many types of bonds. The features, characteristics and risks associated with bonds can vary significantly and include, but are not limited to:

- Credit risk – The issuer may fail to timely make interest or principal payments and thus default on its bonds.
- Interest rate risk – Interest rate changes can affect a bond's value. If bonds are held to maturity, the investor will receive the face value, plus interest. If sold before maturity, the bond may be worth more or less than the face value. Rising interest rates will make newly issued bonds more appealing to investors because the newer bonds will have a higher rate of interest than older ones. To sell an older bond with a lower interest rate, you might have to sell it at a discount.
- Inflation risk – Inflation is a general upward movement in prices. Inflation reduces purchasing power, which is a risk for investors receiving a fixed rate of interest.
- Liquidity risk – This refers to the risk that investors won't find a market for the bond, potentially preventing them from buying or selling when they want, or having to sell at a lower price.
- Call risk – The possibility that a bond issuer retires a bond before its maturity date, something an issuer might do if interest rates decline, much like a homeowner might refinance a mortgage to benefit from lower interest rates.

For most bonds, a bond's coupon rate is the rate of interest it pays annually and is expressed as a percentage of its face value. Usually, the coupon rate is calculated by dividing the sum of coupon payments received annually by the face value of a bond.

Bonds generally are priced at an initial face value (sometimes called "par" value) of $1,000 per bond. However, once the bond is traded on secondary markets, the bond's price may be lower than the face value, which is referred to as a "discount," or higher than the face value, which is referred to as a "premium." If the bond is priced at a discount, the purchaser of that discounted bond will receive a higher interest yield (return) as a result of paying less than the face value. On the other hand, if the bond is priced at a premium, the investor will receive a lower interest yield (return) as a result of paying more than the face value. Bond prices typically have an inverse relationship with bond interest yields (e.g., as bond prices decrease, interest yields increase; as bond prices increase, interest yields decrease).

Unlike equities, where prices are usually evaluated based on their daily closing prices, many bonds do not have a uniform closing price because they are traded in over-the-counter ("OTC") markets or another negotiated market. Bond prices are affected by many different factors, including but not limited to supply and demand for the bond, the issuer's credit rating, bond size, interest rates and age-to-maturity. With regard to the age-to-maturity pricing factor, bonds are paid in full (at face value) when they mature, though there are options to call, or redeem, some bonds before they mature (some bonds permit the issuer to call the bond prior to maturity). Since a bondholder is closer to receiving the full face value as the maturity date approaches, the bond's price typically

moves toward par as the bond ages. Many bonds are priced by discounting the expected cash flow to the present using a discount rate.

Fees and Costs

You will typically pay a “markup” when you buy a bond or a “markdown” when you sell a bond, as most bonds are traded on a principal (dealer) basis in the OTC market (although some bonds may be bought on an agency (commission basis). Instead of charging you a commission to perform the transaction for you, we mark up or down the price of the bond to above or below its face value. The markup/markdown thus represents the difference between the price we paid for or sold a bond and the price at which it is sold to you or bought from you by us.

With new issues of bonds, the broker-dealer’s markup generally is included in the par value, so you do not pay separate transaction costs. Everyone who buys a new issue pays the same price, known as the offering price. If you are interested in a new issue of a bond, you can get an offering document describing the bond’s features and risks, which will include information related to the compensation paid to broker-dealers.

The amount of a markup/markdown charged on a bond transaction will depend on a number of factors and particular circumstances for each transaction, including the type of bond (corporate, government or municipal), transaction size, credit quality, unit price, maturity, liquidity and market scarcity. This markup/markdown will generally range between 0% and 2.5% of the principal dollar amount of the trade.

When placing a trade, your FP will discuss the related commission or markup/markdown amount with you. You will also receive a written trade confirmation from our custodian after your trade is executed which will detail these amounts.

More Information

More information describing a specific bond’s features and risks is available in the bond’s offering document.

More information about bonds, including pricing and issuer credit ratings, is also available on FINRA’s website at http://finra-markets.morningstar.com/BondCenter/Default.jsp.

Information about government bonds is available on the Municipal Securities Rulemaking Board’s (“MSRB”) website at http://www.msrb.org/ and https://emma.msrb.org/.

Options

We offer option contracts for you to buy or sell. Options are contracts that give you the right, but not the obligation, to buy or sell an underlying asset at a fixed price within a certain period of time. Various exchanges operating in the United States and regulated by the SEC offer public trading markets where different types of options are bought and sold, such as equity, index and interest rate options. Option contracts may also be traded on certain European markets.

An option contract that gives you the right to buy the underlying asset is referred to as a “call” option, and an option contract that gives you the right to sell the underlying asset is referred to as a “put” option. Most options have certain standardized terms that indicate the nature and amount of the underlying asset, the expiration date, the exercise price and whether the option is a call or put. Many securities that are publicly traded in the United States have put or call options contracts, which are available for trading on an exchange in the United States. Equity options, for example, are designated by reference to the issuer of the underlying security, the expiration month or expiration date of the option, and the option’s exercise price and type (put or call).

Options, like other securities, carry no guarantees, and investors should be aware that it is possible to lose all of your initial investment, and sometimes more. For example, option holders risk the entire amount of the premium paid to purchase the option. If a holder’s option expires “out-of-the-money,” the entire premium will be lost. Option writers may carry an even higher level of risk since certain types of options contracts can expose writers to unlimited potential losses. Other risks associated with trading options include, but are not limited to: 1) Market Risk – Extreme market volatility near an expiration date could cause price changes that result in the option expiring worthless; 2) Underlying Asset Risk – Since options derive their value from an underlying

asset, which may be a stock or securities index, any risk factors that impact the price of the underlying asset will also indirectly impact the price and value of the option.

Prior to buying or selling options, you will receive a copy of the "Characteristics & Risks of Standardized Options," also known as the Options Disclosure Document ("ODD"). You should read a copy of the ODD prior to buying or selling an option. The ODD contains required disclosure of the characteristics and risks of standardized option contracts.

No certificates are issued to show your ownership of an option. You must review the confirmations and statements that you receive from the applicable custodian in order to confirm your positions in options as of the date of the confirmation or statement. It is very important to understand the process for exercising your rights as the holder of an option contract. Please discuss this with your FP.

Fees and Costs

You will typically pay a commission every time you buy or sell an option contract. You will pay this commission in addition to the premium associated with the option contract, which you will pay regardless of whether you choose to exercise the option to buy or sell the underlying asset. The premium is not a standardized term of the option contract. The premium does not constitute a "down payment." The premium is a non-refundable payment and is in addition to the commission. The commission is a one-time fee and can vary based on the number of contracts bought or sold.

When placing an options trade, your FP will discuss the related commission amount with you. You will also receive a written trade confirmation from our custodian after your trade is executed which will detail the commission amount.

More Information

The ODD referenced above is available at https://www.theocc.com/about/publications/character-risks.jsp.

Mutual Funds

We offer a wide range of mutual funds from many different mutual fund companies. Mutual funds are registered investment companies that issue redeemable securities. Mutual funds issue shares on a continual basis, and there is no secondary trading market for mutual fund shares. Mutual funds are required to sell their shares at the fund's net asset value ("NAV") per share plus any applicable sales charge or load, which is described below. The fund's NAV is calculated by dividing the total value of all the fund's assets, minus any liabilities such as ongoing fees and expenses (described below), by the number of shares outstanding.
An important aspect of mutual fund investing is to read the mutual fund's prospectus carefully before investing. Each mutual fund prospectus contains important information that will help you make an informed decision about an investment in a mutual fund. In deciding whether to invest in a mutual fund, you should consider several different factors, including the mutual fund's past performance, investment objective, investment strategies and risks, the investment adviser responsible for the management of the mutual fund's assets, and the fees and expenses associated with an investment in a particular mutual fund. While past performance of a mutual fund is not indicative of future results, a mutual fund's long-term performance record and portfolio manager's experience and qualifications may be important factors in deciding to invest in a mutual fund.

All funds carry some level of risk. With mutual funds, you may lose some or all of the money you invest because the securities held by a fund can go down in value. Dividends or interest payments may also change as market conditions change. A fund's past performance does not predict future returns, but past performance can tell you how volatile or stable a fund has been over a period of time. Generally, the more volatile the fund, the higher the investment risk.

Fees and Costs – Generally

You will typically pay a sales charge or "load" when you buy shares in a mutual fund. We receive a portion of this sales charge for our efforts and the efforts of our FPs in selling shares of the mutual fund and providing services to you and the fund company. In a limited number of cases, we also receive revenue share payments from mutual funds for placing customer assets in the funds. These payments do not have a direct effect on the amount of your investment in fund shares after the sales charge is applied, but create a conflict of interest nevertheless.

We offer products from Pershing's Fundvest® mutual fund platform featuring no-transaction-fee mutual funds (e.g., no commissions, no front-end sales loads or deferred sales charges) subject to certain restrictions on short-term trading. Once certain

asset thresholds of Fundvest® mutual funds are met, we receive revenue-sharing fees from Pershing related to certain Fundvest investments. Our customers do not pay these fees directly, but the revenue-sharing fees are often deducted from the total assets in the fund and therefore reduce investment returns. These payments are designed to compensate us for the cost of providing services, marketing, administration and education of FPs, and therefore receipt of these funds indirectly benefits Centaurus FPs and creates a conflict of interest. Notably, our FPs do not directly receive the revenue-sharing fees, nor are they compensated more for selling a Fundvest® product. Under the current agreement with Pershing, Centaurus also receives 12b-1 fees from Pershing on certain share classes in the Fundvest® mutual fund platform. As with all 12b-1 fees received for customers since 2018, Centaurus credits back 12b-1 fees paid under this agreement to the customer account.

Most mutual funds utilize multiple share classes to offer choice to investors. Share classes represent interests in the same mutual fund, but vary based on differing fees and expenses for distribution and shareholder services. Each class typically has different fees and costs, and therefore fund performance results will differ as those fees and expenses are applied across share classes. Higher fees and expenses will result in lower returns when comparing share classes of the same mutual fund. You should also note that the amount of time you expect to hold your investment in a mutual fund may play an important role in determining which share class is most appropriate for you, and you should discuss this consideration with your FP.

Fees and expenses can vary widely from fund to fund or fund class to fund class. Compare how sales loads, fees and other mutual fund expenses can impact your return using FINRA's Fund Analyzer tool at https://tools.finra.org/fund_analyzer/.

Fees and Costs – Share Class Distinctions

While there are no standard definitions for these share classes, and each mutual fund defines its share classes in its prospectus, set forth below are some basic descriptions of the most common share classes available to you:

- Class A – This share class usually carries a front-end sales charge, which is typically assessed as a percentage of your investment. This means that a sales charge is deducted from your investment each time you purchase shares in the mutual fund. Class A shares also typically have ongoing fees and expenses, which sometimes include fees commonly referred to as 12b-1 fees, and these 12b-1 fees are intended to support financial advisers and broker-dealers in servicing accounts over time. Despite these ongoing fees and expenses, Class A shares typically have lower operating expenses compared to the other share classes of the same mutual fund that may be available to you. This means that ongoing costs will typically be lower than ongoing costs associated with other share classes of the same mutual fund that may be available to you. Many mutual funds offer "breakpoint" discounts for large investments in Class A shares, which means that the front-end sales charge decreases as the investment increases. These breakpoints are described in the mutual fund's prospectus.
- Class C – Unlike Class A shares, this share class does not have a front-end sales charge, but does charge a contingent deferred sales charge ("CDSC") if you sell your shares in the first year of ownership. The amount of the CDSC is assessed as a percentage of your investment. Similar to Class A shares, Class C shares have ongoing 12b-1 fees. These fees are usually higher for Class C shares than for Class A shares. When deciding which share class to invest in, it is important to consider front-end sales charges; ongoing fees, including 12b-1 fees; and the time horizon for your investment. In most cases, Class A shares are less expensive if you hold your position for a longer period of time. On the other hand, if you plan to hold your shares for a shorter period of time, then Class C shares are usually more economical.
- Class R – This share class is available to retirement investors purchasing shares in a mutual fund through employer-sponsored retirement plans, such as 401(k) plans. Class R shares do not have a front-end sales charge or CDSC like Class A or Class C shares, respectively, but Class R shares do have ongoing fees and expenses such as 12b-1 fees intended to finance the distribution activities related to sales of the fund's shares. These fees and expenses are deducted from your assets on an ongoing basis.

Fees and Costs – Breakpoints

While it may make sense to own mutual funds from different mutual fund companies, it also may preclude you from receiving reduced sales charges. Mutual fund companies often offer discounts or reduced sales charges based on the total amount you choose to invest with the mutual fund company. The investment levels needed to receive these discounts are known as "breakpoints." Mutual fund companies typically allow you to combine holdings with those of immediate family members to reach these breakpoints.

Set forth below are some common ways you can receive the benefits of breakpoints.

- Rights of Accumulation: "Rights of accumulation" allow you to combine your mutual fund purchase with your existing investment in the mutual fund company to reach a breakpoint.
- Letter of Intent: You can take advantage of breakpoints by agreeing to purchase a certain dollar amount in a mutual fund over a specified period of time. In most instances, this requires signing a "Letter of Intent" ("LOI").

The prospectus of every mutual fund describes its breakpoint policies, including how you can reach breakpoints. You can request a copy of a mutual fund's prospectus from your FP. You can also access prospectuses for mutual funds we offer at https://www.sec.gov/.

Fees and Costs – Ongoing Fees and Expenses

In addition to the 12b-1 fees mentioned above, mutual funds typically also deduct other ongoing fees and expenses, such as management fees or servicing fees, from fund assets. These ongoing fees and expenses are typically used to pay for the mutual fund's continued annual operating expenses (these ongoing fees are sometimes referred to as the mutual fund's "expense ratio"), such as paying the mutual fund's investment manager, accounting and auditing expenses, legal expenses and recordkeeping expenses.

A trailer fee may apply to certain mutual fund holdings. A trailer is included in the expense ratio and is the annual service commission paid by the mutual fund company to your FP. This fee is paid as long as you hold units in the fund. These fees are described above as 12b-1 fees generally range between 0.25% and 1% and are paid out of the fund's management expenses. A trailer fee is provided as a service commission. This is intended to compensate your FP for providing you with ongoing services such as answering any questions you may have about the performance of your fund(s) and other related matters.

In addition, as noted above, the ongoing fees and expenses include 12b-1 fees, which are intended to finance distribution activities intended primarily to result in the sale of additional shares of the mutual fund, and include marketing and advertising expenses. These ongoing fees and expenses are typically charged daily as a percentage of your assets. You pay these fees and expenses indirectly because they are deducted from the assets of the mutual fund in determining the net asset value of your investment on an ongoing basis. These payments, as well as the conflicts of interest associated with them, are described more fully below in this document.

More Information

More information on a mutual fund's risks, sales charges, ongoing fees and expenses, and overall expense ratio is available in the mutual fund's prospectus. You can request a copy of a mutual fund's prospectus from your FP. You can also access prospectuses for mutual funds we offer at https://www.sec.gov/.

Closed-End Funds

We offer a wide range of closed-end funds, including interval funds, from many different fund companies. An important aspect of closed-end fund investing is to read the fund's prospectus carefully before investing. Each closed-end fund prospectus contains important information that will help you make an informed decision about an investment in a closed-end fund. In deciding whether to invest in a closed-end fund, you should consider several different factors, including the fund's investment objective, investment strategies and risks, the investment adviser responsible for the management of the fund's assets, and the fees and expenses associated with an investment in a particular closed-end fund.

Similar to mutual funds, closed-end funds are pooled investment vehicles. However, there are some important differences between these types of funds.

Unlike mutual funds, most traditional closed-end funds do not continuously offer their shares for sale. Instead, such funds typically sell a fixed number of shares through an initial public offering, after which their shares typically trade on a secondary trading market. The price of shares in a closed-end fund that trades on a secondary market after their initial public offering is determined by the market and may be higher or lower than the shares' NAV. Shares may trade at a "premium" to NAV or at a "discount" to NAV. In addition, there are certain non-traded closed-end funds that do sell their shares on an ongoing basis, and do not trade on a secondary trading market.

Many closed-end funds have no “maturity” or termination date, and shareholders may exit their investments only by selling shares on the secondary trading market. Nonetheless, these closed-end funds without termination dates may still be terminated based on the investment manager’s decision. Certain other closed-end funds, however, have a specified or targeted termination date, at which time the shareholders receive an amount equivalent to the shares’ NAV at the termination date. Non-traded closed-end funds typically contemplate having a “liquidity” event at some point once the fund’s offering has ceased. Liquidity events include listing the fund’s shares on a secondary trading market or liquidation.

Unlike mutual funds, closed-end fund shares are not redeemable, which means that the fund is not required to buy shares back from investors upon request. Non-traded closed-end funds typically offer to repurchase their shares from investors in periodic tender offers. In addition, some closed-end funds, commonly referred to as “interval funds,” offer to repurchase their shares from investors at specified intervals.

The shares of an interval fund typically do not trade on a secondary market, and interval funds generally offer their shares on a continuous basis at a price based on the fund’s NAV. In order to operate as an interval fund, the fund must offer to repurchase its shares at regular intervals every three, six or twelve months, as disclosed in the fund’s prospectus. The price that interval fund shareholders receive on a repurchase will be based on the per share NAV determined as of a specified date, less any redemption fees or charges that may apply to the transaction.

Some of the key risks associated with closed-end funds include: 1) Market risk – Closed-end funds are subject to market movements and volatility, and the value can decrease due to movements in the overall financial markets; 2) Interest rate risk – Changes in interest rate levels can directly impact income generated by a closed-end fund. Additionally, funds that have a portfolio with a significant allocation to fixed income assets, like bonds, may be more exposed to this type of risk as interest rates change; 3) Other risks – Closed-end funds are exposed to other risks such as liquidity risk on the secondary market, credit risk, concentration risk and discount risk. If the closed-end fund includes foreign market investments, it will be exposed to the typical foreign market risks, including currency, political and economic risk.

More information and details on risks associated with closed-end funds is available in the fund’s prospectus. You can request a copy of a fund’s prospectus from your FP.

Fees and Costs

You will typically pay a sales charge when you buy shares in a closed-end fund’s public offering, or a commission if you buy and sell shares in a closed-end fund in a secondary trading market. You will pay this sales charge or commission in addition to the amount of the fund you choose to buy or sell. For a public offering purchase, the fund’s sales charge is a one-time fixed fee, which is typically a percentage of the investment amount, and usually ranges between 4.50% and 5.00% of the investment amount for closed-end funds.

You may pay a “markup” as a transaction cost to the Firm when you buy a closed-end fund through a trading market or a “markdown” when you sell a closed-end fund through a trading market. Instead of charging you a commission to perform the transaction for you, we may mark up or mark down the price of the closed-end fund from the price we paid for the closed-end fund. The markup/markdown thus represents the difference between the price we paid for a closed-end fund in the open market and the price at which it is sold to you or bought from you by us. The average markup/markdown is $2 to $2.30 per $100 (2% to 2.3% of the price per share) of the value of the trade.

Some interval funds also charge you a redemption charge when you accept an interval fund’s offer to repurchase your shares. This redemption charge is a one-time fixed fee that ranges from 0% to 2.00% of the redemption proceeds. Unlike sales charges and commissions, the redemption charge is not paid to us, but is paid to the fund to compensate it for the expenses associated with the repurchase.

Closed-end funds, including interval funds, also deduct other ongoing fees and expenses, such as management fees, from fund assets. In addition, the ongoing fees and expenses of many interval funds include 12b-1 fees, and these 12b-1 fees are intended to finance distribution activities intended primarily to result in the sale of additional shares of the interval fund, and include marketing and advertising expenses. These ongoing fees and expenses, which are reflected in the fund’s overall expense ratio, are typically

used to pay for the fund's continued operations, such as paying the fund's investment manager, accounting and auditing expenses, legal expenses, and recordkeeping expenses.

These ongoing fees and expenses are typically charged daily as a percentage of your assets. You pay these fees and expenses indirectly because they are deducted from your assets on an ongoing basis.

More Information

More information on the risks, sales charges, ongoing fees and expenses, and overall expense ratio for closed-end funds, including interval funds, is available in the fund's prospectus. You can request a copy of a fund's prospectus from your FP. You can also access prospectuses for closed-end funds we offer at https://www.sec.gov/.

Exchange Traded Funds

Characteristics

The Firm offers a wide range of exchange-traded funds ("ETFs"). ETFs are investment funds that are listed for trading on a national securities exchange and can be bought and sold in the equity trading markets. Shares in the ETF represent an interest in a portfolio of securities.

ETFs possess characteristics of both mutual funds and closed-end funds. Similar to mutual funds, an ETF pools assets of multiple investors and invests those pooled assets according to its investment objective and investment strategy. ETFs also continuously offer their shares for sale like mutual funds. In addition, ETFs share certain characteristics with closed-end funds, namely that the fund's shares trade on a secondary market and may trade at prices higher or lower than the fund's NAV. However, ETFs do not sell or redeem individual shares. Instead, certain "authorized participants" have contractual arrangements with the ETF to purchase and redeem ETF shares directly from the ETF in blocks called "creation units" and "redemption units," respectively, where each creation or redemption unit typically represents 50,000 shares of the ETF. After purchasing a "creation unit," the authorized participants generally sell the ETF shares in the secondary trading market.

This creation and redemption process for ETF shares provides arbitrage opportunities designed to help keep the market price of ETF shares at or close to the NAV per share of the ETF. For example, if ETF shares are trading at a price below the NAV (generally referred to as a "discount"), an authorized participant can purchase ETF shares in secondary market transactions, and – after accumulating enough shares to compose a "redemption unit" – redeem them from the ETF for the more valuable underlying securities. The authorized participant's purchase of ETF shares in the secondary market would create upward pressure on ETF share prices, which would bring them closer to the NAV per share of the ETF.

Before investing in an ETF, you should read the prospectus, which provides detailed information on the ETF's investment objective, principal investment strategies, risks, costs and historical performance (if any).

Fees and Costs

You will typically pay a commission every time you buy or sell shares in an ETF. You will pay this commission in addition to the amount of the ETF you choose to buy or sell. This commission is a one-time fixed fee. This commission will generally range between 0% and 5% of the principal dollar amount of the trade. The higher range is typically associated with trades with lower principal dollar amounts while the lower range is typically associated with trades with higher principal dollar amounts.

You may pay a "markup" as a transaction cost to the Firm when you buy an ETF or a "markdown" when you sell an ETF. Instead of charging you a commission to perform the transaction for you, we mark up or down the price of the ETF from the price we paid for the ETF. The markup/markdown thus represents the difference between the price we paid for an ETF and the price at which it is sold to you or bought from you by us. The amount of compensation the markup/markdown will represent will generally fall in the same percentage range as discussed above for commissions.

When placing a trade, your FP will discuss the related commission or markup/markdown amount with you. You will also receive a written trade confirmation from our custodian after your trade is executed which will detail these amounts.

ETFs also deduct ongoing fees and expenses, such as management fees, from ETF assets. These ongoing fees and expenses are typically used to pay for the ETF's continuing operations, such as paying the ETF's investment manager, accounting and auditing expenses, legal expenses, and recordkeeping expenses. However, ETFs generally have lower expense ratios than mutual funds because most ETFs are not actively managed and, therefore, do not incur the internal costs of buying and selling the underlying portfolio securities.

These ongoing fees and expenses are typically charged annually as a percentage of your assets. You pay these fees and expenses indirectly because they are deducted from your assets on an ongoing basis. We may receive payments from the legitimate profits of the ETF's investment adviser where such payments are generally referred to as "third-party payments" or "revenue sharing."

More Information

More information about ETF's, including risks, their ongoing fees and expenses, and overall expense ratio, is available in the ETF's prospectus. You can request a copy of the prospectus from your FP. You can also access prospectuses for ETF's we offer at https://www.sec.gov/.

Unit Investment Trusts

The Firm offers a wide range of unit investment trusts ("UITs"). UITs are pooled investment vehicles in which a portfolio of securities is selected by the trust's sponsor and deposited into the trust for a specified period of time. The UIT's portfolio of securities is not actively traded, as the trust generally follows a "buy and hold" investment strategy. The portfolio will generally remain fixed until the termination of the trust. UIT term lengths vary, but generally speaking, they have a maturity date that is between 15 to 24 months from the initial offering date.

At the UIT's maturity, an investor typically has three options. One is to receive the proceeds based on the value of the investment. An investor could also roll over into a newly issued UIT. Another option that may be available to investors in limited circumstances is to receive proportionate shares of the securities held in the portfolio.

The UIT's portfolio is generally designed to follow an investment objective over a specified period of time. A UIT is formed by the trust sponsor, who enters into an agreement with the trustee. When the trust is formed, several investment terms and conditions are set forth in the trust agreement, such as the trust objective, what securities will be placed in the trust, when the trust will terminate, and what fees and expenses will be charged to the trust's assets. These terms and conditions of the trust will be listed in the prospectus.

UITs hold a variety of securities. Each UIT may have different investment objectives, strategies, and investment portfolios. They also can be subject to different risks and fees and expenses. Fees reduce returns on fund investments and are an important factor that investors should consider when buying shares. Before investing in a UIT, you should carefully read all of the UIT's available information, including its prospectus.

Fees and Costs

You will typically pay a sales charge when you buy units in a UIT's initial offering, or a commission when you buy or sell units in a UIT in a secondary trading market. You will pay this sales charge or commission in addition to the amount of the UIT you choose to buy or sell.

In some instances, collection of all or part of a sales charge is deferred over a period subsequent to the settlement date for the purchase of units. Typically, the deferred sales charge is deducted from the unitholder's distributions on the units during the collection period until the total amount of the sales charge is paid.

Repeatedly selling UITs before their maturity date followed by the purchase of a newly issued UIT will cause you to incur sales charges with greater frequency.

UITs also deduct other fees and expenses from trust assets, such as organizational and operating expenses. These fees and expenses include portfolio supervision, recordkeeping, administrative fees and trustee fees. UITs also charge creation and development fees, which compensate the sponsors for creating and developing the trusts. However, UITs generally do not deduct a

separate management fee because the portfolio is not actively managed. We may receive a portion of these fees and expenses, generally referred to as "third-party payments" or "revenue sharing." These payments, as well as the conflicts of interest associated with them, are described in more detail below.

More Information

More information about UITs, including the risks, sales charge and ongoing fees and expenses, is available in the UIT's prospectus. You can request a copy of the prospectus from your FP. You can also access prospectuses for UITs we offer at https://www.sec.gov/.

Alternative Investments – Private Placements

We offer a wide range of alternative investments, including private placements, with the goal of providing additional diversification outside of the traditional equity and fixed income markets. Unlike traditional listed equities and fixed income products, alternative investments often lack the same level of liquidity, which may cause investors to hold investments for extended periods of time without the same level of disclosure regarding investment holdings as required by SEC-registered companies.

There are several types of private placement structures that may be made available. Many private placement investments available are real estate limited partnerships ("RELPs"). RELPs allow investors to participate directly in real estate ownership through ownership of partnership (or LLC) units. Another way to invest is through a special purpose vehicle ("SPVs"). SPVs are designed to hold certain investments under the umbrella of a parent entity. This separates the financial risk of the underlying investment from the parent entity and allows for investors to purchase shares of specific investments within each SPV. SPVs may hold many different types of investments such as equity or debt. The risks associated with SPVs are their lack of liquidity, lack of transparency and potential layering of fees.

Fees and Costs

For alternative investment products, such as private equity funds, non-traded business development companies ("BDCs"), real estate private placements or non-traded real estate investment trusts ("REITs"), you will typically incur an upfront sales charge. Some of that charge may be paid out of the investment and some may be paid directly by you. The upfront sales load is as high as 7% for many direct participation programs and private placements. Private placement offerings may allow for a placement fee along with an annual trail to be charged.

Private equity funds typically do not allow for a placement fee unless it is in a "fund of funds" structure. A fund of funds allows for one fund to purchase units of many other private equity funds. Placement fees on fund of funds usually range between 0% and 3.00% of the investment amount. Private equity funds usually have an annual management fee and a back-end performance/incentive fee in place for the manager as a carried interest to incentivize the manager to achieve maximum performance/returns. The typical management fee may range from 0% to 2.00%, and incentive fees typically range from 0% to 25.00% after certain hurdle return rates have been met according to the fund terms.

More Information

More information about private placements, including risks and initial and ongoing costs and fees, is available in the offering documents or private placement memoranda associated with each private placement offering.

Alternative Investments – Real Estate Investment Trusts

The Firm offers a wide range of REITs, which own and typically operate income-producing commercial real estate assets, such as office buildings, shopping malls, apartments, hotels, resorts, self-storage facilities, warehouses and real estate mortgages or loans. Unlike other real estate companies, REITs do not develop real estate properties to resell them, but rather buy and develop properties primarily to operate them as part of their own investment portfolio.

As an investment for a retail customer, REITs provide exposure to the investment performance of commercial real estate. REITs are required to pay out most of the taxable income to their shareholders. Some REITs can offer higher dividend yields than some other investments.

We offer both publicly traded REITs, which are typically listed for trading on a national securities exchange, and non-traded REITs, which are not listed for trading on public exchanges. Publicly traded REITs can be bought and sold on a secondary trading market. Publicly traded REITs are not considered an "alternative investment," but would instead be considered an "equity" security as described above. By contrast, non-traded REITs cannot be bought or sold readily in a secondary trading market and are typically only available for purchase when the REIT is conducting a public offering of its shares. While the market price for shares of publicly traded REITs is readily available, that is not the case for shares of non-traded REITs. Shares of non-traded REITs are considered to be illiquid investments because you may not be able to readily sell your shares. Also, in the case of non-traded REITs, which generally are purchasing real estate assets as they are conducting their offerings, dividend yields may come from offering proceeds or borrowings rather than from income, reducing the amount available to invest in real estate assets. Non-traded REITs also typically have an external manager, whereas publicly traded REITs typically have internal employees. The interests of external managers, who receive fees from the REIT for managing the REIT and assisting with acquisitions, can conflict with the interests of the shareholders of the REIT.

Because non-traded REITs do not trade on a stock exchange, they involve special risks which include, but are not limited to:

- Lack of Liquidity: Non-traded REITs are illiquid investments. They generally cannot be readily sold on the open market. If you need to sell an asset to raise money quickly, you may not be able to do so with shares of a non-traded REIT.
- Share Value Transparency: While the market price of a publicly traded REIT is readily accessible, it can be difficult to determine the value of a share of a non-traded REIT. Non-traded REITs typically do not provide an estimate of their value per share until 18 months after their offering closes. This may be years after you have made your investment. As a result, for a significant time period you may be unable to assess the value or performance of your non-traded REIT investment and/or its volatility.
- Distributions May Be Paid from Offering Proceeds and Borrowings: Investors may be attracted to non-traded REITs by their relatively high dividend yields compared to those of publicly traded REITs. Unlike publicly traded REITs, however, non-traded REITs frequently pay distributions in excess of their funds from operations. To do so, they may use offering proceeds and borrowings. This practice, which is typically not used by publicly traded REITs, reduces the value of the shares and the cash available to the company to purchase/control additional assets.
- Conflicts of Interest: Non-traded REITs typically have an external manager instead of their own employees. This can lead to potential conflicts of interests with shareholders. For example, the REIT may pay the external manager significant fees based on the amount of property acquisitions and assets under management. These fee incentives can conflict with the interests of shareholders.

Before investing, review the risks disclosed on our Order Form 2, the initial prospectus and any prospectus supplements, as these documents will contain a more extensive discussion of the risks associated with publicly traded and non-traded REITs.

Fees and Costs

For certain non-traded REITs, the initial offering commission (which can be described as a commission and dealer manager fee) is significantly higher, and may be up to 10% of the investment amount. In addition to the upfront commission and dealer manager fee, there may be other expenses included in the front-end load of the offering. This typically includes organizational and operating expenses to cover general costs used to make the offering available, such as marketing collateral, sales staff and investment promotional activity. The front-end load, which generally ranges from 0% to 7%, is deducted from the amount you originally invest into the offering. For non-traded REITs and other direct-participation programs, in 2015, FINRA released NTM 15-02, providing new guidance regarding valuation of such shares. NTM 15-02 can be found by visiting https://www.finra.org/rules-guidance/notices/15-02.

You may pay a "markup" as a transaction cost to the Firm when you buy a REIT in the secondary trading market or a "markdown" when you sell in the secondary trading market. Instead of charging you a commission to perform the transaction for you, we mark up or down the price of the REIT from the price we paid for the REIT. The markup/markdown thus represents the difference between the price we paid for a REIT and the price at which it is sold to you or bought from you by us. The average markup/markdown is $2.00 to $2.30 per $100 (2% to 2.3% of the price per share) of the value of the trade.

Non-traded REITs may offer different share classes. In some share classes, typically referred to as “A” shares, you will pay an upfront sales commission that will reduce the amount of funds available for your investment. Non-traded REITs also offer share classes with a “trailer” commission, often referred to as “T” shares. With “T” shares, you will typically pay a lower upfront commission, but pay a higher ongoing fee in order to compensate your FP. The ongoing trailer commission is often paid out of your distribution, which will result in a lower distribution payment to you in order to pay your FP’s commission.

REITs bear the fees and expenses associated with acquiring, operating and disposing of their assets. You may pay these fees and expenses indirectly, which may impact the profitability of the REIT and the value of your shares. We may receive a portion of these fees and expenses, generally referred to as “third-party payments” or “revenue sharing.”

For certain alternative investments, we receive a marketing allowance fee directly from the investment sponsor. These fees can be paid on an annual basis based on assets placed with the investment sponsor and are usually 0.25% of customer assets invested. We also receive marketing fees typically between 0% and 1.5% based on sales of non-traded alternative investments such as non-traded REITs, BDCs and private equity for marketing and education services provided.

More Information

More information about REITs, including risks, their initial commissions and ongoing fees and expenses, is available in the REIT’s prospectus.

College Savings Plans

The Firm offers various college savings plans, which are a type of “529 plan.” 529 plans are tax-advantaged and state-sponsored investment programs designed specifically for education savings and are named after the section of the Internal Revenue Code that authorizes them.

There are two general types of 529 plans: college savings plans and prepaid tuition plans. College savings plans allow investment earnings to grow tax-deferred, and withdrawals are exempt from federal taxation when used for qualified educational expenses. College savings plans generally operate through state-sponsored trusts and permit investors to allocate contributions to one or more trust portfolios or “investment options” offered in the plan. Prepaid tuition plans allow investors to “lock in” tuition rates at certain specified educational institutions. Every state offers at least one type of 529 plan, and some states offer both types of 529 plans. The remainder of this disclosure focuses on the college savings plans.

College savings plan contributions are generally invested in certain underlying investment options, such as mutual funds, that support the plan. The contributions will fluctuate in value as the underlying investment options increase or decrease in value, and there is no guarantee that the amount contributed to the college savings plan will equal the amount necessary for future education expenses. Although similar to mutual funds in certain ways, college savings plans are issued by state governments, and are not directly regulated or registered under the federal securities laws. There are tax consequences with investing in or withdrawing funds from college savings plans. Consult your tax professional for further guidance.

An important aspect of investing in college savings plans is to read the offering document (often called a program description or “official statement”) carefully before investing. Each program description contains important information that will help you make an informed decision about an investment in a college savings plan. In deciding whether to invest in a college savings plan, you should consider several different factors, including each investment option’s past performance, investment objective, investment strategy and risks, the investment adviser responsible for advising the state issuer, and the fees and expenses associated with an investment in a particular investment option. While past performance of an investment option is not indicative of future results, an investment option’s long-term performance record may be an important factor in deciding to invest.

Investing in college savings plans does come with some risk. Unlike prepaid tuition plans, they do not lock in tuition prices. Nor does the state back or guarantee the investments. There is also the risk with most college savings plan investment options that you may lose money, or your investment may not grow enough to pay for college. For example, if you choose a plan option that invests in stock mutual funds, chances are that your invested funds' annual performance will mirror the trends of the stock market. Thus, you may lose money during a declining market.

Fees and Costs

You typically will pay a sales charge when you purchase a college savings plan. We receive a portion of this sales charge for the sale and related services we provide to the primary distributor of the college savings plan.

Most college savings plans offer multiple units (often called share classes), similar to the share class structure offered by many mutual funds. Though there are several types of college savings plan share classes, the most common share classes available to you are Class A, Class B and Class C. Each class typically has different fees and expenses, and therefore investment option performance results will differ as those fees and expenses reduce performance across share classes. You should also note that the amount of time you expect to hold your investment in a college savings plan and the age of the beneficiary play an important role in determining which share class is most appropriate for you. You should discuss these considerations with your FP.

While there are no standard definitions for these share classes, and each college savings plan defines its share classes in its offering document, below are some basic descriptions of the most common share classes available to you:

- Class A – This share class usually carries a front-end sales charge, which is typically assessed as a percentage of each contribution. The net amount of your contribution after the deduction of the sales charge is invested in shares of the college savings plan investment option(s) that you select. Class A shares typically have lower operating expenses compared to the other share classes of the same investment option. This means that ongoing costs will typically be lower than ongoing costs associated with other share classes of the same investment option. Many college savings plans also offer "breakpoint" discounts for large investments in Class A shares of investment options, which means that the front-end sales charge decreases as the investment increases. These breakpoints are described in the college savings plan's offering document.
- Class B – This share class is characterized by a back-end or contingent deferred sales charge ("CDSC"). It has no front-end sales charge like Class A shares. This CDSC means that you pay a sales charge when you redeem shares from your investment. The amount of the CDSC is typically assessed as a percentage of the investment option, and declines over time. The longer you hold your investment option shares, the CDSC is eventually eliminated. The period of decline typically lasts anywhere from five to eight years depending on the particular college savings plan and investment option. Once the CDSC is eliminated (typically at the end of that five-to-eight-year period), Class B shares usually convert to Class A shares. Until this conversion takes place, Class B shares will typically have higher ongoing operating expenses than Class A shares.
- Class C – Unlike Class A shares, this share class typically does not have a front-end sales charge, but does charge a CDSC should you sell your shares in the first year of ownership. The amount of the CDSC is assessed as a percentage of your investment. Similar to Class A shares, Class C shares have ongoing 12b-1 fees. These fees are usually higher for Class C shares. When deciding which share class to invest in, it is important to consider front-end sales charges, ongoing fees, including 12b-1 fees, and the time horizon for your investment. Class A shares may prove to be less expensive if you hold your position for a longer period of time. If you plan to hold your shares for a shorter period of time, then Class C shares may prove to be more economical.

In addition to these sales charges, college savings plans typically deduct certain ongoing fees and expenses from each investment option, such as program management fees, from assets in the investment options. Although these ongoing fees and expenses may vary based on your college savings plan, some of the more common ones are set forth below:

- Program Management Fee – College savings plans generally deduct a program management fee to pay the program manager for providing investment advisory, accounting and other services to the plan. This fee is typically charged annually as a percentage of your assets, and is reflected in the NAV of the plan's investment options.
- Maintenance Fee – Most college savings plans charge an annual maintenance fee. This fee, which compensates the plan sponsor for costs of maintaining the plan, may be waived in certain circumstances, such as when your plan assets exceed certain thresholds.
- Underlying Mutual Fund Expenses – Most college savings plan investment options invest in one or more mutual funds and bear a portion of the fees and expenses of these underlying funds. The underlying mutual fund expenses are deducted from fund assets and reflected in the NAVs of the underlying mutual funds, which means they are also reflected in the NAV of the college savings plan's investment options. More information on the mutual funds that underlie the plan's investment options is available in the college savings plan's offering document. In addition, more information on the underlying mutual funds, including their ongoing fees and expenses and overall expense ratio, is available in the funds' prospectuses.

You pay these fees and expenses indirectly as they are deducted from your investment option assets, or the assets of underlying mutual funds, on an ongoing basis.

More Information

More information on the risks, sales charges and ongoing fees and expenses is available in the college savings plan's offering document, which you can request from your FP. Additionally, as 529 education savings plans have fees and expenses that can vary widely from plan to plan, FINRA has developed a tool to help you compare how these fees and expenses can reduce returns, which can be found at https://tools.finra.org/529_calculator/main.

Variable Products

The Firm offers variable annuities and variable life insurance policies (variable products). These variable products are issued by different insurance companies and will be in the form of a contract or policy between you and the insurance company. There are differences in variable products specific to the features, risks, benefits, fees and costs of the product, as well as in minimum and maximum premium amounts. Below is a general overview of most variable products. Information about the particular features, risks, benefits, fees and costs for a specific variable product can be found in the product prospectus.

Variable annuities can help with saving for retirement. Annuities also offer features and benefits such as principal and income guarantees that are not available in traditional stock, bond or mutual fund investments. Funds invested in these annuities grow tax-deferred. This means you will pay no federal taxes on the income and investment gains on the funds you invest in your annuity until you make a withdrawal, receive income payments or a death benefit is paid. When you withdraw your funds, you are obligated to pay tax on market gains at ordinary federal income tax rates. Many insurance companies exclusively offer variable annuities with unique features, guarantees and benefit riders. All related features, guarantees, benefit riders and associated costs can be found in the product prospectus.

Variable life insurance provides life insurance protection (i.e., a death benefit) and also allows you to build up a cash value that can grow tax-deferred. Most variable life insurance policies allow you to take out loans against your cash value and to make withdrawals (as long as the remaining cash value is sufficient to keep the policy in force). You can also terminate your policy by surrendering it and receiving the remaining cash value. Surrendering your policy will terminate your death benefit protection. Most insurance companies offer riders and other options with their variable annuity and life insurance policies, such as long-term care benefits, disability insurance, income benefits or accelerated death benefits.

When you purchase a variable annuity or variable life insurance product, your premium contributions (net of any fees and charges deducted from premiums) are allocated in the investment options within the underlying sub-account choices. The value of your investment, usually referred to as your cash value, will fluctuate as the values of the underlying sub-accounts increase or decrease.

Most insurance companies impose a minimum requirement on the initial premium. In the case of variable life insurance, you will likely be required to make premium payments periodically to keep the policy in force. While you may have some flexibility in the amount or timing of these periodic premium payments, you should consider whether you can afford to continue making premium payments when deciding to purchase a variable life insurance policy. If you fail to make sufficient payments to keep the policy in force, the policy will lapse (that is, terminate without value) and you will no longer have any death benefit protection.

Variable products are not short-term savings vehicles. Withdrawing funds or surrendering a variable product in the short term after purchase will likely trigger a significant surrender penalty, and may also trigger a significant tax penalty. You can lose the money you invest in variable products, including the potential loss of your initial investment, due to poor performance of the investment options you select and/or the cumulative impact of fees and charges on your cash value.

Key risks associated with your variable life insurance policy include but are not limited to the following:

- Policy lapse – If you do not maintain sufficient cash value to pay your policy fees and expenses, your policy may lapse. That means it will terminate without value and your beneficiary will not receive any death benefit. A significant number of life insurance policies lapse.

- Risk of loss – You can lose money in a variable life insurance policy, including potential loss of your initial investment.
- Risks associated with investment options – The value of your investment and any returns will depend on the performance of the investment options you choose. Each underlying fund may have its own unique risks. You should review the investment option's prospectus before making an investment decision. You should consider a variety of factors with respect to each fund option, including the fund's investment objectives and policies, management fees and other expenses that the fund charges, the risks and volatility of the fund, and whether the fund contributes to the diversification of your overall investment portfolio.
- Insurance company risk – The financial strength of the insurance company that issues the policy backs all guarantees, including the death benefit. If the insurance company experiences financial distress, it may not be able to meet its obligations to you.

Key risks associated with your variable annuity contract include but are not limited to the following:

- Risk of loss – You can lose money in a variable annuity, including potential loss of your original investment.
- Risks associated with investment options – The value of your investment and any returns will depend on the performance of the investment options you choose. Each underlying fund may have its own unique risks. You should review the investment option's prospectus before making an investment decision. You should consider a variety of factors with respect to each fund option, including the fund's investment objectives and policies, management fees and other expenses that the fund charges, the risks and volatility of the fund, and whether the fund contributes to the diversification of your overall investment portfolio.
- Optional features – Optional features may carry investment restrictions. The benefits of the optional features may be significantly reduced if withdrawals over a certain amount are made or if withdrawals are taken before you reach a certain age.
- Insurance company risk – The financial strength of the insurance company that issues the contract backs all guarantees, including the death benefit, living benefits and your annuity payments. If the insurance company experiences financial distress, it may not be able to meet its obligations to you.

Fees and Costs – Premium Payment Deductions

In the case of some variable products, the insurance company deducts a fee from your premium payment, with the effect that only the net premium amount is invested or allocated. In the case of variable annuities, the fee deduction is usually to cover a state insurance premium tax. In the case of variable life products, the fee deduction can also cover the insurer's sales expenses.

Fees and Costs – Surrender and Withdrawal Charges

Most variable products impose a surrender charge if you surrender your variable product or make a withdrawal of your cash value during the surrender charge period. This surrender charge and the surrender period are described in the product prospectus. Surrender charge periods vary by variable product, but are generally around six to eight years for variable annuities, even though they may extend up to 15 years on some variable life insurance policies.

The surrender charges also vary by variable product, and generally begin around 10% of the purchase payment in year one and subsequently decrease through the term of the surrender schedule. Tax penalties can also apply to surrenders or withdrawals from annuities made before age 59½.

Some products offer an optional rider or a different share class at an additional cost or increased mortality and expense risk fees to the customer in exchange for a shortened or waived surrender schedule.

Fees and Costs – Ongoing Fees and Expenses

Insurance companies deduct fees and expenses from your cash value to cover fees and expenses. These ongoing fees and expenses commonly include mortality and expense ("M&E") risk fees, cost of insurance fees (assessed under variable life insurance policies), administration fees, transaction fees and fees associated with certain optional riders. The M&E risk fees are calculated as a percentage of your insurance coverage or account value and are described as an annualized rate charged against assets. However, some fees, such as administration or transaction fees, are fixed-amount fees charged annually or when specific transactions occur and are deducted from your cash value. The cost of insurance fees charged on variable life insurance is typically calculated by applying a rate based on your underwriting classification to the "net amount at risk" (the difference between your product's death

benefit and cash value). These fees are typically deducted from your cash value on an ongoing basis. If you add riders to your variable annuity or variable life insurance policy, the fees for those riders will be deducted from your cash value.

In addition, you will indirectly pay the ongoing fees and expenses for the holdings within your sub-account selection. These fees and expenses are separate from the fees charged by the insurance company and will be reflected in the performance of the underlying investment options. These ongoing fees and expenses include the sub-account's management fees, servicing fees and 12b-1 fees, and are typically charged as an annualized rate against fund assets.

The commissions, surrender charges, and ongoing fees and expenses associated with variable products vary by insurance company and the type of variable product. More information regarding the commissions, surrender charges, and ongoing fees and expenses for variable products is available in the product's prospectus.

Fees and Costs – Our Commissions

When you purchase a variable product, the issuing insurance company will pay a commission to us. While you do not pay this commission directly, the insurance company has priced this commission into the overall expense of the variable product. In this way, you indirectly pay the commission. We receive this commission for our sales efforts and for assisting you with the insurance application and the underwriting and delivery processes related to the purchase of a variable product. Variable annuity commissions received are paid to your FP per their contracted payout rate with the Firm. These commissions range between 0% and 7% of total premium received by the insurance company.

Insurance commissions we receive vary based on the variable product and insurance company. We receive higher commissions for some types of variable products than others, which creates a conflict of interest for us. In addition, in the case of life insurance, the commissions may vary between initial premium payments and subsequent premium payments.

Fees and Costs – Training, Education and Conferences

Insurance companies and their sales force may pay for or provide training and education programs for our FPs. Additionally, insurance companies may be invited to our conferences where certain of their expenses for attending are covered by us. You do not pay these expenses directly. However, the expenses are built into the pricing of the variable product, so you indirectly pay for this cost.

More Information

More information about variable products, including the risks, insurance commissions, and other fees and expenses built into the cost of the insurance, is available in the variable product's prospectus. You can request a copy of a variable product's prospectus from your FP.

In addition, more information on the underlying sub-accounts and the variable product's investment options, including the sub-account's ongoing fees and expenses and overall expense ratio, is available in the product's prospectus. You can request a copy of the product prospectus from your FP.

Retirement Investor Fiduciary Acknowledgement

We are making investment recommendations to you regarding your retirement plan account or individual retirement account as fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money or otherwise are compensated creates some conflicts with your financial interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours.

Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice) to you;
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than what is reasonable for our services; and

• Give you basic information about our conflicts of interest.

Conflicts of Interest

Like all financial service providers, Centaurus and its FPs have conflicts of interest that relate to the recommendations we and our FPs make. We are committed to taking the appropriate steps to identify, mitigate and avoid conflicts of interest to ensure we act in your best interest when providing brokerage recommendations to you.

A conflict of interest arises when an incentive, benefit or possible personal financial gain might incline us or an FP, consciously or subconsciously, to make a recommendation that is not strictly for the betterment or in the best interest of the investor. These conflicts take many forms and include conflicts between Centaurus and retail customers, between our FPs and retail customers, between retail customers and both Centaurus and our FPs, as well as between Centaurus and our FPs. We want you to make an informed decision regarding any recommendation one of our FPs provides you. To that end, below we disclose material facts addressing these conflicts.

Conflicts Between Retail Customers and Both Centaurus and Its Financial Professionals

Conflicts between retail customers and both our Firm and FPs are caused in a variety of arrangements, including the role we play in a transaction, compensation arrangements, or trading arrangements. The material facts relating to these conflicts are as follows:

Centaurus and its FPs are paid when you trade or invest based on our recommendations.
Centaurus is paid each time you trade in your brokerage account or make a new investment. We pay our FPs a portion of the transaction-based payments that we receive. These transaction-based payments, usually called commissions, incentivize us and your FP to encourage you to trade more and purchase additional investments that result in additional revenue for our Firm and your FP.

For some investments that you purchase based on our recommendation, we receive payments from a third party that are in addition to the transaction-based payments described above.
This is typically the case when you purchase mutual funds, college savings plans and variable products. For example, certain issuers make ongoing payments to us based on invested assets (and not just new investments), such as 12b-1 fees, shareholders servicing fees or trail compensation. These third-party payments are described in further detail in the prospectus or offering materials for the investment, which are made available to you in connection with any purchase. All of these third-party payments incentivize us and your FP to sell you or recommend you hold investments that entail these payments rather than investments that do not entail these payments or entail comparatively lower payments.

For investments with multi-share class structures, we generally receive comparatively more compensation when we recommend you purchase or hold a share class that is likely to be more costly for you.
Some investments, such as mutual funds, college savings plans and variable annuities, offer multiple share classes, and depending on the share class in which you are invested, we may earn higher commissions, ongoing payments and/or other compensation. These comparatively higher commissions, ongoing payments and other compensation incentivize us and your FP to sell you or recommend you hold the share class in a multi-share class structure that results in the most compensation for us and is likely to be more costly for you. Please note, however, that where issuers have multi-share class structures, the lowest-cost share classes may not be available to retail investors, due to high minimum investment amounts or account type requirements (e.g., a retirement account or an advisory account). You can find more information about the compensation paid on different share classes in the prospectus for the investment or by asking your FP.

We get paid when you engage in a rollover transaction.
We can recommend that you roll over assets from your workplace retirement plan into an IRA account. When you engage in a rollover to an IRA and then purchase investments, we and your FP will receive compensation in connection with the investments you will acquire for your IRA account and hold in the account. IRA rollover recommendations incentivize us and your FP to encourage the purchase of investments that result in additional compensation for us and your FP.

We have an incentive to recommend the account type that results in additional fees and revenues for us.
We can recommend that you invest through different account type arrangements, such as through a brokerage account, an

account directly held with the issuer of the investment (or its transfer agent), or an advisory account. We typically receive miscellaneous account and service fees and other compensation (which are in addition to any commissions, markups other transaction-based fees or advisory fees) in connection with a brokerage account or advisory account that we do not receive in the case of a directly held account. The availability of different account types incentivizes us and your FP to recommend the account type that results in additional fees and revenues for us and your FP.

We may be executing a transaction for you in a principal capacity.
We may buy a security from you, or sell you a security from our own account (as principal). A markup is the difference in price between the current market price for the security and what we charged you for executing your security transaction. Conversely, if you place a sell order, we may buy your security to place into our inventory at the current market price and charge you for executing the transaction, thereby reducing your sales proceeds. This difference, or execution charge, is called a markdown. Confirmation statements disclose markups and markdowns only for exchange-traded stock trades. In some instances, we may enter the marketplace to purchase the security for ourselves and then turn around and sell you the security, plus a markup. This is generally called a riskless principal transaction. It is called riskless because when purchasing the security, we already know that we can sell it to you at a certain price. Because we earn compensation (markup/markdown) in principal transactions, we may have an incentive to trade with you on a principal basis and to recommend securities that we hold in inventory.

We and our FPs are compensated by service fees as part of your transaction costs.
When you buy or sell securities, your charges will generally fall into two categories: a commission or markup associated with the trade and, in some cases, miscellaneous fees for other expenses. Service fees help reimburse us and your FP for expenses incurred in performing a transaction or service for you. These fees may be labeled in a variety of ways, including as postage and handling charges, administrative service fees, clearing and transfer fees, execution facility fees, office overhead fees, supervisions fees, or third-party charges. The fees must be fair and reasonable and vary among our FPs.

We and our FPs are compensated when you enter into a stock loan or securities loan agreement.
We offer stock-based loan programs as part of our services. This allows you to pledge fully paid stock as collateral for loans. We and your financial representative may have an incentive to encourage this type of arrangement. We share, with the lender, the interest on your loan. Your financial representative may be able to receive additional commissions associated with the investments you make using the loan proceeds. This may be a beneficial tool for you. However, stock loan agreements can also be very risky, and they are not appropriate for everyone. Be sure to carefully review your stock loan agreement before you choose to enter into this type of arrangement.

We and our FPs are compensated when you enter into a securities-based line of credit arrangement.
We may receive a referral fee based on outstanding balances that you have when you establish a securities-based line of credit using the assets in your account as collateral to borrow funds for non-purpose uses (i.e. for uses other than purchasing more financial securities or to pay down margin loans). This may create an incentive for us or our FPs to recommend that you establish a securities-based line of credit. While this can be a beneficial tool for you, it does come with risks and may not be an appropriate option for everyone. Be sure to carefully review the securities-based line of credit program information and paperwork before you choose to open a line of credit and borrow funds.

We and our FPs are compensated from 12b-1 fees and have an incentive to recommend investments that offer these benefits.
12b-1 fees are fees paid out of mutual fund or ETF assets to cover the costs of distribution and shareholder services. Distribution fees include fees that incentivize/compensate us and our FPs to sell fund shares and to pay for expenses associated with marketing, selling, advertising and printing sales literature. Shareholder service fees are fees paid to us and our FPs to respond to investor inquiries and provide investors with information about their investments. Shareholder service fees can also be paid outside of 12b-1 fees.

We and our FPs are compensated when we pass on certain service charges to you at a markup from the charges assessed to us by our clearing firms.
Examples of service charges that are marked up include account maintenance fees, ticket charges, wire fees, bounced check fees, legal transfer fees, termination fees, charges for insufficient funds upon settlement date and safekeeping fees.

Conflicts between Retail Customers and Centaurus Only

Conflicts between customers and our Firm may be caused by a variety of arrangements, including the role we play in a transaction, compensation arrangements, trading arrangements or customer-specific arrangements. The material facts relating to these conflicts are as follows:

Some of the issuers of the investments our FPs recommend periodically pay us based on the total amount of sales we make of their investments or the total amount of customer assets we direct to them.
These payments are sometimes called “revenue sharing” arrangements for investments that entail such payments rather than investments that do not entail these payments or entail comparatively lower payments. Many issuers or their affiliates also make payments to us to cover the costs associated with certain educational conferences or training seminars we host for our FPs. These payments are typically for fixed amounts and are not tied to total sales or customer assets. Even so, these payments incentivize us to sell you or recommend you hold investments issued by issuers that make these payments rather than investments of issuers that do not make these payments or make comparatively lower payments.

Our clearing firm also makes revenue sharing payments to us.
Our clearing firm makes periodic payments to us based on the amount of our total customer assets invested in certain investments as of certain dates. These payments incentivize us to sell you or recommend you hold investments that entail such payments rather than investments that do not entail these payments or entail less of these payments.

We receive volume discount credits on ticket charges from our clearing firms when we exceed a certain level of firm-wide trading.
Ticket charges are fees assessed to us by our clearing firms based on our negotiated contracts (generally on a product-by-product basis) for servicing and facilitating settlement of transactions. This credit is not shared with our FPs. However, we pass our ticket charges on to our FPs at the same or at a marked-up price as part of our service. Our FPs may pass this cost on to you at the same or at a marked-up price as part of their service.

Section 31 transaction fees, imposed by the SEC, are absorbed by you.
These fees are designed to recover the costs incurred by the government, including the SEC, for supervising and regulating the securities markets and securities professionals. The SEC does not impose or set any of the fees that investors must pay. Instead, self-regulatory organizations (“SROs”) such as FINRA and all of the national securities exchanges must pay transaction fees to the SEC based on the volume of securities that are sold on their markets. The SROs have passed these fees on to firms such as ours. We then pass these fees on to you, which appear on your trade confirmation.

We have an incentive to minimize our own execution costs.
Some securities transactions and investment strategies may be easier and less costly for us to execute than others. For instance, it may be less costly for us to execute a purchase order for a highly traded equity security through a national securities exchange than it would be for us to execute a purchase order for a thinly traded and relatively illiquid equity security through the OTC markets. These differential execution costs may incentivize us to recommend investments with execution costs that are lower for us.

We receive a portion of the margin interest charged to you when you open and maintain a margin account.
This may create an incentive for us to recommend that you open a margin account. A margin account is a type of brokerage account in which we or our clearing firms lend you cash, using the account as collateral, to purchase securities. This can be a beneficial tool. However, margin accounts can be very risky, and they are not appropriate for everyone. Be sure to carefully review your margin agreement before you choose to open a margin account.

We are compensated through interest collected on cash sweeps and free credit un-invested cash balances.
Our brokerage accounts offer the option to hold free cash balances in either money market funds or a bank account insured by the Federal Deposit Insurance Corporation (cash sweeps) based on your eligibility and sweep election. Customers are not charged for this service. Additionally, if you are not participating in a sweep vehicle, you may have a free credit balance (i.e. the portion of the account that consists of cash awaiting investment). We, and/or our clearing firm(s), use free credit balances in the ordinary course of our business. The use of free credit balances generates revenue for us or our clearing firm in the form of interest and income, which we, or our clearing firm, retain(s) as additional compensation. Your FP does not receive any direct compensation from the free credit balance.

Conflicts between Retail Customers and Our Financial Professionals Only

Conflicts between retail customers and our FPs may be caused by a variety of arrangements, including compensation arrangements, retail customer-specific arrangements or outside business activities. The material facts relating to these conflicts are as follows:

The amount of compensation we share with some of our FPs depends on the investments recommended and their production volumes.
The amount of commissions, fees, transaction-based payments and ongoing payments we share with our FPs is dictated by compensation grids. Compensation grids vary among our FPs as well as the expertise, geographic location and performance of each FP. Some of these compensation grids are not investment neutral, meaning that the percentage of the compensation for any given transaction that your FP receives varies based on the investment recommended. Non-investment-neutral grids may incentivize our FP to recommend the investment that results in the highest net payout for the FP. In addition, some of our compensation grids have thresholds or bands that enable our FP to increase his or her compensation through an incremental increase in sales. Moreover, the FP's payout percentage can be adjusted at certain intervals depending on the FP's total production volume and overall performance. These thresholds, bands and payout percentage adjustments may incentivize the FP to encourage more trading and the purchase of additional investments that result in the FP meeting certain sales targets and other metrics. This conflict is especially acute as the FP approaches a sales threshold or the deadline for meeting production volumes. Also, the commissions and other fees charged to customers for the same or similar products will generally vary from one FP to another within our Firm.

Some FPs receive bonuses and loans that are dependent upon meeting sales targets.
Some of the FPs that are new to our Firm are provided with forgivable loans or back-end bonuses that are tied to total production by a milestone date. If your FP has received ones of these loans or is eligible for one of these bonuses, they incentivize your FP to encourage more trading and the purchase of additional investments that result in your FP meeting production targets so that his or her loan will be forgiven by the Firm or so that his or her back-end bonus will be paid by the Firm. This conflict is especially acute as your FP approaches his or her milestone date.

Some of our FPs receive additional training and support from certain issuers.
Certain issuers and their affiliates provide some of our FPs with more training and administrative support services than others. If your FP receives this additional training and support, his or her use of these issuers' higher level of training and administrative support services incentivizes your FP to recommend investments issued by issuers that provide such additional training, support and services.

Some of our FPs' marketing efforts are subsidized by wholesalers.
Some of our FPs receive reimbursements or direct payments from the wholesalers of certain investments for marketing expenses they incur in connection with the distribution of wholesalers' investments. If your FP receives these wholesaler reimbursements or direct payments, they may incentivize your FP to recommend investments that entail these wholesaler reimbursements or direct payments over investments that do not.

Some FPs have outside business activities that compete for their time.
Some of our FPs engage in business activities that are not part of the Firm's business and as such, they are not engaged in the Firm's business on a full-time basis. These outside business activities can cause your FP to engage in activities that could create a conflict of interest for your FP. You may research any outside business activities your FP has disclosed on FINRA's BrokerCheck website at https://brokercheck.finra.org/.

THE CONTENTS OF THIS DOCUMENT ARE SUBJECT TO CHANGE. YOU CAN OBTAIN THE MOST RECENT VERSION OF THIS DOCUMENT AT ANY TIME BY VISITING https://www.centaurusfinancial.com/investor-information.