FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2019064499301

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

RE: Patrick Michael Carroll (Respondent)
Investment Company and Variable Contracts Products Representative, and
General Securities Representative
CRD No. 2676119

Centaurus Financial, Inc. (Respondent)
Member Firm
CRD No. 30833

Pursuant to FINRA Rule 9216, Respondents Patrick Michael Carroll and Centaurus Financial, Inc. (CFI) submit this Letter of Acceptance, Waiver, and Consent (AWC) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondents alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

A. Respondents accept and consent to the following findings by FINRA without admitting or denying them:

BACKGROUND

Carroll entered the securities industry in 1996. Carroll became associated with CFI as an Investment Company and Variable Contracts Products Representative in September 2006, as an Investment Adviser Representative in June 2010, and as a General Securities Representative in September 2014. Carroll remains associated with CFI in those capacities.[1]

CFI has been a FINRA member since 1993. Its main office is in Anaheim, California. The firm has approximately 570 registered representatives and 364 branch offices. It conducts a general securities business. CFI has also been a registered investment adviser since 1999.[2]

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[1] For more information about the respondent, visit BrokerCheck® at www.finra.org/brokercheck.

[2] For more information about the firm, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

OVERVIEW

Between February 2016 and October 2019, Carroll violated FINRA Rules 2111, 2330, 1122, and 2010 by recommending unsuitable variable annuity exchanges, which caused customers to incur surrender charges. For these and other violations, Carroll is suspended for 12 months and fined $10,000.

Between February 2016 and December 2025, the firm's supervisory system and written supervisory procedures were not reasonably designed to supervise certain exchanges and purchases of variable annuities. From February 2016 through December 2019, it failed to reasonably supervise certain of Carroll's recommendations regarding the exchange of variable annuities. From June 30, 2020 to December 31, 2025, the firm failed to reasonably supervise two representatives and violated Regulation Best Interest (Reg BI) by failing to comply with Reg BI's Conflict of Interest and Compliance Obligations regarding recommendations by the representatives to buy B-share variable annuities and enter into advisory agreements with the customers to manage the variable annuities' sub-accounts. Thus, CFI violated Reg BI, and FINRA Rules 3110, 2330 and 2010 and is censured, fined $475,000, and ordered to pay restitution of $634,488.56.

FACTS AND VIOLATIVE CONDUCT

This AWC resolves two matters—one originating from a FINRA examination of CFI and Carroll and another from a FINRA examination of variable annuity and account type recommendations by two representatives of CFI.

A. Variable Annuities.

Variable annuities are complex, long-term investments that offer tax-deferred treatment of earnings and contain securities and insurance features. These features may include guaranteed periodic income payments and/or a guaranteed death benefit.

Investors in variable annuities may choose from several different share classes, including the following:

- B-share variable annuities, the most common share class, do not impose an up-front sales charge, but pay the selling broker-dealer a commission that is funded through surrender charges and ongoing product-level fees. B-shares typically offer a surrender period of five to eight years, and the applicable surrender fee generally declines during this period. B-shares offer lower costs (relative to share classes with shorter surrender periods) in exchange for a longer surrender period.
- Bonus (aka X-share) variable annuities also do not impose an up-front sales charge, and offer an up-front premium credit (typically 3-5% of the initial premium amount) in exchange for a surrender period of between eight and ten years, and costs that are typically higher than a B-share variable annuity. Like B-share variable annuities, bonus variable annuities pay the selling broker-dealer a commission that is funded through surrender charges and ongoing product-level fees.

- Advisory (aka I-share) variable annuities, which have increased in popularity in recent years, are designed generally for investment advisory programs that charge asset-based fees but do not pay a commission. They generally have lower fees than B-share and bonus variable annuities, and no surrender period.

Variable annuities also allow customers to choose from different contract features and options, including optional riders that provide various enhancements for an additional fee. For instance, many variable annuities offer a guaranteed death benefit, which typically provides the investor's surviving beneficiaries with at least the amount of the investor's payments to the insurance company, less any accumulated withdrawals. Customers can enhance this benefit through the purchase of various death benefit riders, such as a stepped-up death benefit, which provides for a death benefit equal to the variable annuity's highest contract value on any previous contract anniversary. Variable annuities may also offer living benefit riders, which typically offer guaranteed periodic income payments for as long as the investor lives.

B. Applicable Rules.

As of June 30, 2020, broker-dealers and their associated persons are required to comply with Reg BI. Rule 15*l*-1(a)(1) of Reg BI requires a broker, dealer, or a natural person associated with a broker or dealer, when making a recommendation of any securities transaction or investment strategy involving securities (including account recommendations) to a retail customer, to act in the best interest of that retail customer at the time the recommendation is made, without placing the financial or other interest of the broker, dealer, or associated person ahead of the interest of the retail customer. Reg BI's Care Obligation, set forth at Exchange Act Rule 15*l*-1(a)(2)(ii), requires broker-dealers and their associated persons to exercise reasonable diligence, care, and skill to, among other things, understand the potential risks, rewards, and costs associated with a recommendation. Reg BI's Adopting Release provides that what constitutes "reasonable diligence" depends on, among other things, the complexity of, and risks associated with, the recommended security.[3] The Care Obligation requires broker-dealers and their associated persons to have a reasonable basis to believe that the recommendation could be in the best interest of at least *some* retail investors.

FINRA Rule 2111 requires member firms and associated persons to have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the member or associated person to ascertain the customer's investment profile. FINRA Rule 2111 is still in effect, but as of June 30, 2020, it no longer applies to recommendations that are subject to Reg BI.[4] FINRA Rule 2111 defines a customer's investment profile to include the same information as a retail customer's investment profile under the Care Obligation.

[3] *Regulation Best Interest: The Broker-Dealer Standard of Conduct*, Exchange Act Release No. 86031, 84 FR 33318 at 33376 (July 12, 2019).

[4] As of June 30, 2020, FINRA Rule 2111 continues to apply to non-retail customers who are not subject to Reg BI.

Reg BI's Conflict of Interest Obligation, set forth at Exchange Act Rule 15*l*-1(a)(2)(iii), requires broker-dealers to establish, maintain, and enforce written policies and procedures addressing conflicts of interest, defined as interests that might incline a broker-dealer or an associated person—consciously or unconsciously—to make a recommendation that is not disinterested. Such procedures must be, among other things, reasonably designed to identify and mitigate any conflicts of interest associated with recommendations to retail customers that create an incentive for an associated person to place the firm's interest, or the associated person's interest, ahead of the customer's interest. This obligation applies to incentives that are provided to the associated person, whether by the firm or third parties, that are within the control of or associated with the broker-dealer's business.

Reg BI's Compliance Obligation, set forth at Exchange Act Rule 15*l*-1(a)(2)(iv), requires a broker-dealer to establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Reg BI. Reg BI's Adopting Release provides that broker-dealers should consider the nature of that firm's operations and how to design such policies and procedures to prevent violations from occurring, detect violations that have occurred, and to correct promptly any violations that have occurred.

Because of their complexity, FINRA requires that firms and their associated persons meet specified suitability and supervision obligations under FINRA Rule 2330 before recommending a deferred variable annuity. Specifically, FINRA Rule 2330(b) requires that, when recommending the purchase or exchange of a deferred variable annuity, a registered representative must have a reasonable basis to believe that "the particular deferred variable annuity as a whole, the underlying subaccounts to which funds are allocated at the time of the purchase or exchange of the deferred variable annuity, and riders and similar product enhancements, if any, are suitable (and, in the case of an exchange, the transaction as a whole also is suitable) for the particular customer." For exchanges of deferred variable annuities, the suitability determination also must take into consideration whether, among other things, the customer would incur a surrender charge, be subject to a new surrender period, lose existing benefits, or be subject to increased fees or charges.

FINRA Rule 2330(c) requires all deferred variable annuity applications to be reviewed and approved by a principal who "shall approve the recommended transaction only if he or she has determined that there is a reasonable basis to believe that the transaction would be suitable based on the factors delineated in [FINRA Rule 2330(b)]."

FINRA Rule 2330(d) provides that, in addition to the general supervisory requirements of FINRA Rule 3110, members must "establish and maintain specific written supervisory procedures reasonably designed to achieve compliance with the standards set forth in [Rule 2330]." Members also must "implement surveillance procedures to determine if any of the member's associated persons have rates of effecting deferred variable annuity exchanges that raise for review whether such rates of exchange evidence conduct inconsistent with the applicable provisions of [Rule 2330], other applicable FINRA rules, or the federal securities laws ('inappropriate exchanges')."

FINRA Rule 3110(a) provides that "[e]ach member shall establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules." FINRA Rule 3110(b) requires each of its members to "establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules." The duty to supervise under FINRA Rule 3110 requires member firms to reasonably investigate red flags that suggest misconduct may be occurring and to act upon the results of such investigation.

Violations of Reg BI and FINRA Rules 2111, 2330, and 3110 also constitute violations of FINRA Rule 2010, which requires member firms and associated persons to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business.

C. CFI failed to establish, maintain, and enforce a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with applicable rules regarding recommendations of variable annuities by three registered representatives.

From February 2016 through December 31, 2025, CFI earned a sizeable percentage of its revenue through the sale of annuity products, including variable annuities.

During this period, CFI's supervisory system for variable annuities required principals at both the branch to which a representative was assigned and at CFI's central office to review and approve transactions after reviewing the application and accompanying account paperwork. This paperwork included various disclosures about the risks, costs, and features of the variable annuity (and, if the transaction involved an exchange, the customer's existing contract), which both sets of principals were required to consider in their review. These disclosures were also provided to customers. However, with respect to recommendations made by three representatives involving certain purchases or exchanges of variable annuities, CFI failed to establish, maintain, and enforce a supervisory system, including written supervisory procedures (WSPs), reasonably designed to achieve compliance with FINRA Rules 2111 and 2330, and Reg BI.

First, from February 2016 through December 31, 2019, the firm failed to establish a supervisory system or WSPs reasonably designed to supervise recommended deferred variable annuity exchanges to determine if they were suitable because the firm did not provide reasonable guidance to principal reviewers regarding the impact of surrender fees on the suitability of exchanges, nor did it provide reasonably detailed standards for assessing the loss of benefits, such as living benefit riders. Moreover, for exchanges where the customer gave up a living benefit rider, the firm did not reasonably review the recommendations or document whether they were suitable for the particular customer based on the customer's investment profile (such as their liquidity needs) and intended use of the deferred variable annuity (for instance, whether they intended to use the variable annuity for retirement income, or for estate planning).

Second, from February 2016 through at least October 2019, although the firm's supervisory system included a quarterly surveillance report that was designed to detect various patterns of transactions that indicated inappropriate variable annuity exchanges, the firm lacked procedures reasonably designed to surveil its representatives' rates of deferred variable annuity exchanges, including who was responsible for such surveillance, how often it would take place, what tools to use to conduct the surveillance, or what parameters to consider when evaluating whether exchange rates were inappropriate. In practice, the firm's quarterly variable annuity report was not effective at identifying patterns of inappropriate rates of exchanges because of the lack of guidance about how the review should be conducted.

Third, from June 30, 2020 to December 31, 2025, the firm failed to reasonably supervise two representatives that it allowed to engage in an investment strategy involving recommending B-share variable annuities and also having those customers enter into an advisory agreement to manage the sub-accounts of the variable annuities. Customers who entered into advisory agreements agreed to pay ongoing advisory fees on those variable annuities for which commissions had been received. CFI prohibited the charging of advisory fees within the first 12 months after the purchase of the variable annuity that generated a commission and the two selling representatives limited their fee to 1%. However, the firm's WSPs failed to reasonably address factors that representatives and supervisors should consider in evaluating recommendations of the available variable annuity share classes in light of the retail customer's investment profile. Similarly, the WSPs failed to reasonably address the factors to consider in recommending variable annuities with various available share classes with respect to related account type recommendations or advisory variable annuities in instances where the customer paid advisory fees with respect to the sub-accounts in the B-share variable annuity.[5] Nor did the firm have policies and procedures that were reasonably designed to mitigate the conflict of interest associated with this investment strategy.

Therefore, CFI violated Exchange Act Rule 15*l*-1(a)(l), and FINRA Rules 3110, 2330(c) and (d), and 2010.

D. Carroll recommended, and CFI failed to reasonably supervise, 88 unsuitable variable annuity exchanges.

Carroll lacked a reasonable basis to recommend certain variable annuity exchanges.

Between February 2016 and October 2019, Carroll recommended 88 deferred variable annuity exchanges without a reasonable basis to believe that the recommendations were suitable. In each of these instances, Carroll recommended that the customers exchange their existing B-share variable annuities (which most customers had purchased on Carroll's recommendation three to five years earlier) for a bonus-share variable annuity

[5] In most of the relevant transactions that occurred during this period, the customers sold a variable annuity that also had an existing advisory agreement with respect to the underlying portfolios, and purchased a new B-share variable annuity. In these instances, the customers did not pay advisory fees for the first 12 months after the new annuity was purchased.

paired with an optional stepped-up death benefit rider. Because the B-share variable annuities were still within their surrender period, these customers generally paid surrender fees of at least 3% on the liquidation of their existing policies, and 25 of these customers surrendered existing benefits, such as optional living benefit riders for nine customers. Moreover, these customers' new variable annuities generally charged higher fees and imposed longer surrender periods than the customers' existing variable annuities.

Carroll did not have a reasonable basis to recommend these exchanges as suitable. First, although Carroll documented the amount of the surrender fees each customer paid and the bonuses they would receive, he failed to reasonably consider and document the impact of surrender fees on the suitability of the exchange and, relatedly, whether, and to what extent, the customers would benefit from the bonus-share's increased fees and surrender period given the amount of surrender fees they paid and the bonus amount they received. Second, for the 25 customers who gave up existing benefits, he failed to reasonably consider and document whether the customers would benefit from the stepped-up death benefit given their investment profile, including any existing life insurance holdings and whether they would need to rely on their variable annuities to fund their retirement which could result in the depletion of a death benefit.

Therefore, Carroll violated FINRA Rules 2111, 2330, and 2010.

CFI failed to reasonably supervise Carroll's variable annuity exchanges.

Between February 2016 and October 2019,[6] CFI failed to reasonably supervise the suitability of certain of Carroll's deferred variable annuity exchange recommendations. In connection with the transactions discussed above, the firm failed to identify or investigate red flags suggesting that the transactions may be unsuitable. First, despite its awareness that Carroll was recommending dozens of variable annuity exchanges using similar rationales for transactions, CFI failed to reasonably consider whether Carroll was engaging in inappropriate rates of exchanges. Second, Carroll's application paperwork, which CFI principals were required to review and approve, at times advised customers that the charges incurred in the exchange would be "offset" or "recoup[ed]" by the bonus feature of recommended variable annuities notwithstanding that these variable annuities carried higher fees and longer surrender periods than a comparable B-share variable annuities.

Moreover, in reviewing Carroll's recommendations, CFI failed to reasonably consider key suitability factors, including the surrender fees imposed (totaling $561,409.01 as set forth in Attachment A) and the loss of appreciated living benefit riders for several of the customers. CFI also failed to reasonably consider whether the customers would meaningfully benefit from the stepped-up death benefit rider if they intended to use their variable annuities as their primary source of retirement income.

[6] In December 2019, CFI imposed restrictions on Carroll's recommendations of variable annuity sales and exchanges, which led to the cessation of the unsuitable exchange recommendations referenced above.

Therefore, CFI violated FINRA Rules 3110, 2330, and 2010.

E. CFI's written policies and procedures were not reasonably designed to achieve compliance with Reg BI or to address conflicts of interest associated with variable annuity and account-type recommendations, and CFI failed to reasonably supervise such recommendations by two representatives.

CFI's registered representatives who are dually registered as investment adviser representatives can recommend both brokerage and advisory accounts to their customers. Customers with advisory accounts customarily pay an annual fee of 1% to 1.5% of the assets managed in those accounts, whereas CFI and its registered representatives receive up-front commissions on brokerage products (generally purchased in brokerage accounts) without receiving ongoing advisory fees.

Between June 30, 2020, and December 31, 2025,[7] the firm had selling agreements with two issuers to allow it to sell I-shares of particular variable annuities to clients with advisory accounts. At that time, the firm also had agreements with the issuers authorizing it to sell B-shares of the variable annuities to customers with brokerage accounts. The issuers generally paid the firm a 7% commission in connection with sales of B-shares, but the firm did not earn any commissions for sales of advisory variable annuities because of the separate ongoing advisory fees the customers would generally pay on those types of annuities. The advisory share class variable annuities provided living and death benefits, sub-account investment options, and other features that were virtually identical to the B-shares, but clients' annual fees for the advisory shares were 0.85-0.9 percent lower than the annual fees for the B-shares. In addition, clients who purchased advisory shares were not subject to a surrender fee, but customers who purchased B-shares were subject to a surrender fee for seven years.

CFI prohibited most representatives from entering into a paid advisory relationship to manage the sub-accounts of B-share variable annuities. However, during the relevant period, the firm allowed two representatives to recommend to customers an investment strategy that involved purchasing B-share variable annuities in brokerage accounts and then adding advisory services to manage the sub-accounts of the variable annuities in exchange for an ongoing 1% annual advisory fee. For these representatives, CFI implemented a 12-month prohibition on charging advisory fees after a customer purchased a variable annuity that paid a commission, but the firm did not establish, maintain, and enforce written policies and procedures reasonably designed to mitigate the conflicts of interest related to incentives for these registered representatives to place their interests ahead of the customer's interest in recommending products and services that pay both commissions and fees, resulting in potentially higher total costs for these representatives' customers.

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[7] Effective January 1, 2026, the firm updated its supervisory systems and written supervisory procedures to address these violations.

In addition, the firm's WSPs failed to address factors that these two representatives and their supervisors should consider in evaluating recommendations of variable annuities with various available share classes and with respect to related account type recommendations. For example, they did not provide reasonable guidance or training regarding recommendations to purchase variable annuities as commission-based brokerage products in brokerage accounts versus feature-equivalent advisory products in advisory accounts, including comparison of the fees and costs associated with each.

Between June 30, 2020, and December 31, 2025, the two representatives, as a part of an investment strategy that was approved by CFI, recommended on 31 occasions that customers who were seeking ongoing management of their variable annuity sub-accounts purchase B-shares of variable annuities in their brokerage accounts, and on each occasion after 12 months enter into a paid advisory relationship with the advisor to manage the subaccounts. Consequently, the representatives received their portion of the 7% upfront commission paid to the firm for the B-share purchase, and after 12 months, began receiving annual advisory fees of 1% relating to the investment advisory services they provided with respect to the management of the variable annuity subaccounts. The customers continued to pay annual fees for the B-share variable annuities charged by the variable annuity providers that were 0.85-0.9 percent higher than if they had initially purchased advisory shares, plus an account-level 1% advisory fee. Accordingly, the customers who were seeking ongoing management of their variable annuity sub-accounts paid $73,079.55 more in fees between June 30, 2020 and December 31, 2025 than they would have paid if they had purchased advisory shares in an advisory account.

In supervising these representatives, the firm did not reasonably consider whether these securities transactions or investment strategy (recommending the purchase of commission-based variable annuities that would incur advisory fees upon client approval after the 12-month anniversary) complied with Reg BI's Care Obligation.

As a result of the foregoing, CFI violated Exchange Act Rule 15*l*-1(a)(l), and FINRA Rules 3110, 2330(d) and 2010.

F. Carroll failed to disclose three federal tax liens.

Article V, Section 2(c) of FINRA's By-Laws requires registered representatives to keep their Uniform Application for Securities Industry Registration or Transfer (Form U4) "current at all times" and amendments to the Form U4 must be filed "not later than 30 days after learning of the facts or circumstances giving rise to the amendment."

FINRA Rule 1122 provides that "[n]o member or person associated with a member shall file with FINRA information with respect to membership or registration which is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or fail to correct such filing after notice thereof."

A violation of Article V, Section 2(c) of FINRA's By-Laws and FINRA Rule 1122 also constitutes a violation of FINRA Rule 2010, which requires associated persons, in the conduct of their business, to observe high standards of commercial honor and just and equitable principles of trade.

At all relevant times, question 14(M) of Form U4 required registrants to disclose any unsatisfied judgments or liens against the registrant.

On three occasions, in 2015, 2016 and 2018, FINRA notified Carroll and CFI that Carroll had various undisclosed tax liens, none of which Carroll had timely reported on his Form U4. Upon receipt of these notifications, CFI updated Carroll's U4 to reflect the tax liens. In October 2018, FINRA cautioned Carroll of his obligation to timely update his Form U4 to reflect reportable financial events.

On April 15, 2019, the IRS filed a tax lien against Carroll for $317,471 for the 2017 tax year. On April 25, 2019, the IRS mailed notice of the lien to Carroll's residential address as reflected in FINRA's Central Registration Depository (CRD). Although Carroll was required to disclose the tax lien via the filing of an amended Form U4 within 30 days of receiving notice, he failed to amend his Form U4 to disclose the tax lien until October 17, 2023 (1,616 days late).

On March 26, 2021, the IRS filed another tax lien against Carroll for $706,770 for the 2018 and 2019 tax years. On April 6, 2021, the IRS mailed notice of this lien to Carroll's residential address as reflected in CRD. Carroll failed to amend his Form U4 to disclose the tax lien until October 17, 2023 (905 days late).

On January 11, 2022, the IRS filed another tax lien against Carroll for $252,634 for the 2020 tax year. On January 25, 2022, the IRS mailed notice of the lien to Carroll's residential address as reflected in CRD. Carroll failed to amend his Form U4 to disclose this tax lien until October 17, 2023 (614 days late).

Between September 2019 and October 2022, Carroll inaccurately attested on four annual compliance questionnaires from CFI that he did not have any undisclosed liens.

Therefore, Carroll willfully violated Article V, Section 2(c) of FINRA's By-Laws and also violated FINRA Rules 1122 and 2010.

B. Respondents also consent to the imposition of the following sanctions:

<u>For Carroll</u>:

- a 12-month suspension from associating with any FINRA member in all capacities and

- a $10,000 fine.

<u>For CFI</u>:

- a censure;

- a $475,000 fine;
- restitution to the customers listed in Attachment A in the amount of $561,409.01; and
- restitution to the customers listed in Attachment B in the amount of $73,079.55.

Respondents agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payment is due and payable. Respondents have submitted an Election of Payment form showing the method by which they propose to pay the fine imposed.

Restitution is ordered to be paid by CFI to the customers listed on Attachment A to this AWC (Eligible Customers) in the total amount of $561,409.01. Restitution is ordered to be paid by CFI to the customers listed on Attachment B to this AWC (Eligible Customers) in the total amount of $73,079.55.

A registered principal on behalf of CFI shall submit satisfactory proof of payment of restitution (separately specifying the date and amount of each paid to each Eligible Customer) or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted by email to EnforcementNotice@FINRA.org from a work-related account of the registered principal of CFI. The email must identify CFI and the case number and include a copy of the check, money order, or other method of payment. This proof shall be provided by email to EnforcementNotice@FINRA.org no later than 120 days after the date of the notice of acceptance of the AWC.

The restitution amount to be paid to each Eligible Customer shall be treated by CFI as the Eligible Customer's property for purposes of state escheatment, unclaimed property, abandoned property, and similar laws. If after reasonable and documented efforts undertaken to effect restitution CFI is unable to pay all Eligible Customers within 120 days after the date of the notice of acceptance of the AWC, CFI shall submit to FINRA in the manner described above a list of the unpaid Eligible Customers and a description of CFI's plan, not unacceptable to FINRA, to comply with the applicable escheatment, unclaimed property, abandoned property, or similar laws for each such Eligible Customer.

Respondents specifically and voluntarily waive any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanctions imposed in this matter.

The imposition of a restitution order or any other monetary sanctions in this AWC, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

Restitution payments to customers shall be preceded or accompanied by a letter, not unacceptable to FINRA, describing the reason for the payment and the fact that the payment is being made pursuant to a settlement with FINRA and as a term of this AWC.

Respondent Carroll understands that if he is barred or suspended from associating with any FINRA member, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, he may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. *See* FINRA Rules 8310 and 8311.

Respondent Carroll understands that this settlement includes a finding that he willfully omitted to state a material fact on a Form U4, and that under Section 3(a)(39)(F) of the Securities Exchange Act of 1934 and Article III, Section 4 of FINRA's By-Laws, this omission makes him subject to a statutory disqualification with respect to association with a member.

The sanctions imposed in this AWC shall be effective on a date set by FINRA. The suspension shall become effective three weeks after the date of the notice of acceptance of this AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondents specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

A. To have a complaint issued specifying the allegations against them;

B. To be notified of the complaint and have the opportunity to answer the allegations in writing;

C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made, and to have a written decision issued; and

D. To appeal any such decision to the National Adjudicatory Council (NAC) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondents specifically and voluntarily waive any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

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

III.

OTHER MATTERS

Respondents understand that:

A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;

B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondents; and

C. If accepted:

1. this AWC will become part of Respondents' permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondents;

2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;

3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313;

4. this AWC may be taken into consideration by employers and other regulatory or licensing entities or authorities in their hiring, retention, licensing, or other decisions. This AWC may also have other adverse collateral consequences outside of FINRA's control; and

5. Respondents may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondents may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondents' right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondents' testimonial obligations in any litigation or other legal proceedings.

D. Respondents may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they may not deny the charges or make any statement that is inconsistent with the AWC in this statement. This statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA.

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

Respondent Carroll certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; he has agreed to the AWC's provisions voluntarily; and no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce him to submit this AWC.

07/01/2026	Patrick Carroll
Date	Patrick Michael Carroll Respondent

Reviewed by:

Patrick Murphy

Patrick Murphy
Counsel for Respondent
Patrick Michael Carroll
Murphy Cooke LLP
533 Airport Blvd., Suite 400
Burlingame, CA 94010

06/30/2026	Jerome V. Duhovic
Date	Centaurus Financial, Inc. Respondent

Print Name: Jerome V. Duhovic

Title: Executive Vice President, CCO

Reviewed by:

Ivan Harris

Ivan P. Harris
Jason S. Pinney
Counsel for Respondent
Centaurus Financial, Inc.
Morgan, Lewis & Bockius LLP
1111 Pennsylvania Avenue, NW
Washington, DC 20004

Accepted by FINRA:

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

07/15/2026

Date

John Sheehan

John Sheehan
Senior Counsel
FINRA
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ATTACHMENT A
Centaurus Financial, Inc. & Patrick Carroll
AWC No. 2019064499301

Client Name	Customer Policy No.	Restitution
Customer 1	xxxxxx3710	$4,032.83
Customer 2	xxxxx7TAX	$3,370.00
Customer 3	xxxxxx2145	$2,402.45
Customer 4	xxxxxx1639	$956.00
Customer 5	xxxxx6TAX	$2,646.13
Customer 6	xxxxx8TAX	$2,654.40
Customer 7	xxxxxx1616	$5,106.00
Customer 8	xxxxx1TAX	$6,046.89
Customer 9	xxxxxx2033	$8,723.00
Customer 9	xxxxxx2033	$9,061.66
Customer 10	xxxxxx4192	$6,492.26
Customer 11	xxxxxx3283	$3,195.81
Customer 12	xxxxxx1790	$6,717.44
Customer 13	xxxxxx1771	$5,922.14
Customer 14	xxxxxx0896	$4,427.00
Customer 15	xxxxxx3222	$2,044.63
Customer 16	xxxxxx0486	$3,301.71
Customer 17	xxxxxx4049	$4,005.84
Customer 18	xxxxxx5023	$5,112.98
Customer 18	xxxxx7TAX	$5,710.00
Customer 19	xxxxxx4231	$7,622.87
Customer 20	xxxxxx1794	$2,380.82
Customer 21	xxxxxx2908	$4,524.83
Customer 22	xxxxx0TAX	$4,153.68
Customer 23	xxxxx7TAX	$7,547.45
Customer 24	xxxxxx0971	$8,304.67
Customer 25	xxxxx2TAX	$10,440.00
Customer 26	xxxxxx3062	$18,129.28
Customer 27	xxxxx4TAX	$11,040.00
Customer 28	xxxxxx3129	$2,040.00
Customer 29	xxxxxx3218	$8,314.69
Customer 30	xxxxx4TAX	$13,285.15
Customer 31	xxxxxx4196	$14,832.03
Customer 32	xxxxxx3270	$1,560.00
Customer 33	xxxxxx1451	$2,759.20
Customer 34	xxxxx4TAX	$5,634.23
Customer 35	xxxxxx2029	$3,500.00
Customer 36	xxxxx1TAX	$10,175.31
Customer 37	xxxxxx1903	$4,164.94
Customer 38	xxxxxx0967	$9,841.63
Customer 39	xxxxxx0490	$2,625.00
Customer 40	xxxxxx1507	$8,000.00
Customer 41	xxxxxx2081	$5,295.00

Customer 41	xxxxxx2081	$7,613.26
Customer 42	xxxxxx0928	$5,293.79
Customer 43	xxxxxx3255	$9,514.70
Customer 44	xxxxxx3225	$7,371.00
Customer 45	xxxxxx3842	$1,816.00
Customer 46	xxxxxx3202	$6,015.95
Customer 47	xxxxx0TAX	$26,970.00
Customer 48	xxxxx0TAX	$7,724.62
Customer 49	xxxxx5TAX	$6,772.58
Customer 50	xxxxx9TAX	$5,849.51
Customer 51	xxxxx7TAX	$8,091.20
Customer 52	xxxxxx0894	$4,772.00
Customer 53	xxxxxx1886	$10,760.29
Customer 54	xxxxxx3291	$2,672.78
Customer 54	xxxxxx3139	$7,247.46
Customer 55	xxxxxx3195	$6,326.27
Customer 56	xxxxxx2602	$1,891.13
Customer 57	xxxxxx1447	$2,759.20
Customer 58	xxxxx9TAX	$4,840.00
Customer 59	xxxxxx0924	$15,270.00
Customer 60	xxxxxx3452	$2,225.65
Customer 61	xxxxxx4200	$5,474.35
Customer 62	xxxxxx3714	$7,382.85
Customer 63	xxxxxx3100	$13,051.66
Customer 64	xxxxxx2537	$13,270.02
Customer 65	xxxxx9TAX	$5,858.05
Customer 66	xxxxxx3287	$2,796.66
Customer 67	xxxxxx1537	$5,432.00
Customer 68	xxxxxx1626	$3,974.00
Customer 68	xxxxxx2569	$3,970.00
Customer 69	xxxxxx1635	$1,410.00
Customer 70	xxxxxx2606	$8,070.63
Customer 71	xxxxxx0589	$8,836.66
Customer 72	xxxxxx2034	$4,770.00
Customer 72	xxxxx6TAX	$5,179.75
Customer 73	xxxxxx3120	$5,518.29
Customer 74	xxxxxx3241	$12,000.00
Customer 75	xxxxxx0592	$12,745.88
Customer 76	xxxxxx0891	$2,000.00
Customer 77	xxxxxx0569	$1,630.07
Customer 78	xxxxxx0954	$6,615.57
Customer 79	xxxxxx1767	$4,884.42
Customer 80	xxxxxx3851	$2,746.45
Customer 81	xxxxxx0494	$5,914.67
Customer 82	xxxxx8TAX	$7,979.69

ATTACHMENT B
Centaurus Financial, Inc. & Patrick Carroll
AWC No. 2019064499301

Customer	**Customer Policy No.**	**Restitution**
Customer A	xxxx4617	$51.64
Customer B	xxxx5727	$2,660.04
Customer C	xxxx7615	$1,285.65
Customer D	xxxx1649	$807.57
Customer E	xxxx3779	$650.64
Customer F	xxxx4263	$3,468.10
Customer G	xxxx5649	$4,239.57
Customer H	xxxx0383	$991.36
Customer I	xxxx1474	$672.98
Customer J	xxxx7103	$1,183.79
Customer K	xxxx5067	$3,076.10
Customer L	xxxx7997	$2,950.60
Customer M	xxxx2339	$240.49
Customer N	xxxx7252	$4,789.37
Customer O	xxxx3782	$1,261.73
Customer P	xxxx3012	$5,040.53
Customer Q	xxxx9789	$7,378.08
Customer Q	xxxx9879	$3,818.87
Customer R	xxxx8242	$6,602.11
Customer S	xxxx1574	$2,586.38
Customer T	xxxx1568	$275.40
Customer T	xxxx3542	$52.18
Customer U	xxxx5717	$2,660.04
Customer V	xxxx2146	$11,145.01
Customer W	xxxx4634	$648.42
Customer X	xxxx5015	$1,818.68
Customer Y	xxxx5544	$86.71
Customer Z	xxxx3420	$639.73
Customer Z	xxxx5079	$240.72
Customer Z	xxxx3058	$14.32
Customer Z	xxxx3939	$1,742.76