

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011029747201**

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

RE: Centara Capital Securities, Inc., Respondent
CRD No. 130702

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

I.

ACCEPTANCE AND CONSENT

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

BACKGROUND

Centara is currently, and was during all times relevant hereto, a member of FINRA and registered as a broker/dealer with the U.S. Securities and Exchange Commission. Centara first registered with FINRA in 2004. Centara currently operates two offices and employs seven registered persons.

OVERVIEW

Centara serves as the dealer and manager of a private placement offering called The EquityKey S&P/Case-Shiller Enhanced Growth Fund ("the Fund"). The Fund began in March 2010 and invests in complex real-estate related options originated by a non-registered Centara affiliate. Centara distributed three pieces of sales literature concerning the Fund that violate the content standards set forth in FINRA advertising rules NASD Rules 2210(d)(1)(A), (B), and (D).

FACTS AND VIOLATIVE CONDUCT

In connection with the Fund, Centara distributed the following three public communications: (1) a 24-page "Power Point Presentation," which described the Fund, was distributed to approximately 75 potential investors over a 10-day period in March 2010; (2) a two-page "Fund Snapshot" that provided a summary of the Fund's overall features was distributed to approximately 75 potential investors between March 2010 and April 2012; and (3) a two-page "Fund Summary Update," summarizing the Fund and its performance, was distributed to the Fund's 33 investors on a monthly basis for a period of five months starting in October 2011. Each of the three communications violated the content standards set forth in NASD Rules 22120(d)(1)(A), (B), and (D).

NASD Rule 2210(d)(1)(A) requires that communications be "based on principles of fair dealing and good faith," "fair and balanced," and "provide a sound basis for evaluating the facts in regard to any particular security or type of security, industry, or service." Each of the three communications failed to balance the described benefits of the Fund with the specific risks associated with the Fund, including the potential loss of capital, limited liquidity including the lack of a secondary market, the restricted redemption program, lack of initial dividends, and the small and non-diverse nature of the portfolio.

NASD Rule 2210(d)(1)(B) prohibits members from making any "false, exaggerated, unwarranted or misleading statement or claim in connection with any communication." Each of the three communications contained various false, exaggerated, unwarranted, and/or misleading statements, including the following:

- The Power Point Presentation used the hypothetical performance of a single option to represent the performance of the entire Fund, which was misleading.
- The Power Point Presentation stated that "the partnership is an outstanding addition to a diversified investment portfolio dramatically enhancing both absolute and risk adjusted returns." This statement was exaggerated and unwarranted particularly due to the lack of Fund performance history at the time.
- The Fund Snapshot stated that the Fund "has the potential to be an outstanding inflation hedge as it is ultimately driven by real estate price appreciation." This statement was exaggerated because there is no assurance that real estate price appreciation will keep pace with or exceed the inflation rate.
- The Fund Summary Update contained a graph representing the "Growth of \$1,000 Invested," which was misleading because the components and method of calculation for the various investments were not detailed or defined, and material differences between the comparisons were not disclosed.

NASD Rule 2210(d)(1)(D) requires that communications "may not predict or project

performance” or “make any exaggerated or unwarranted claim, opinion, or forecast.” The Power Point Presentation and the Fund Snapshot both stated in multiple instances that the Fund targets returns of 10% to 15% per year. The Fund Snapshot further stated that “options expiring after the tenth year allow ample time for the index to exhibit its historical long-term run rate of 4% to 6%, which when leveraged would yield 10% to 15% annualized return to the fund.” These statements constituted impermissible predictions, projections, claims, opinions, and/or forecasts of future performance.

By virtue of the above, the three communications to the public distributed by Centara violated (1) NASD Rule 2210(d)(1)(A) by failing to balance the described benefits of investing in the Fund with specific risks associated with the Fund; (2) NASD Rule 2210(d)(1)(B) by making various misleading, false, unwarranted, and/or exaggerated claims; and (3) NASD Rule 2210(d)(1)(D) by containing several impermissible projections of performance.

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

- a censure, and
- a fine in the amount of \$20,000.

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

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

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

II.

WAIVER OF PROCEDURAL RIGHTS

Centara specifically and voluntarily waives the following rights granted under FINRA’s Code of Procedure:

- A. To have a Complaint issued specifying the allegations against it;
- 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, Centara specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

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

III.

OTHER MATTERS

Centara understands that:

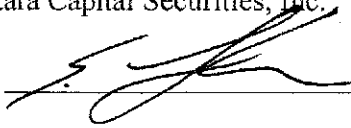
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Centara; and
- C. If accepted:
 - 1. this AWC will become part of Centara's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Centara;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Centara's disciplinary record;

3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 4. Centara 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. Centara 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 Centara's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Centara may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Centara understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

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

01/02/2013
Date (mm/dd/yyyy)

Centara Capital Securities, Inc.

By: 

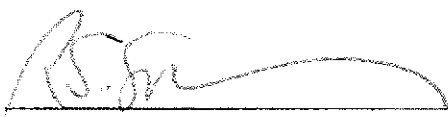
Name: Edvardo Lombardi

Title: REGISTERED PRINCIPAL

Accepted by FINRA:

01/07/2013
Date (mm/dd/yyyy)

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



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