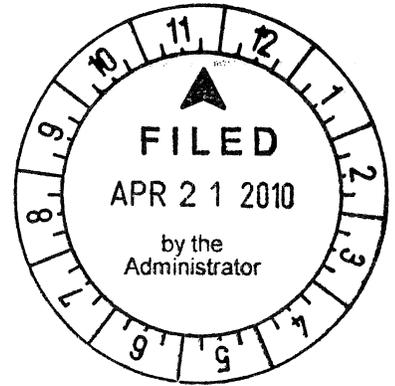


STATE OF OKLAHOMA  
DEPARTMENT OF SECURITIES  
FIRST NATIONAL CENTER, SUITE 860  
120 NORTH ROBINSON  
OKLAHOMA CITY, OKLAHOMA 73102



In the Matter of:

Centaurus Financial, Inc. (CRD# 30833),  
Raymond Chavez (CRD#2403218), and  
Bobby Ray Ledford II (CRD #4328431),

Respondents.

ODS File No. 09-049

**NOTICE OF SERVICE ON THE ADMINISTRATOR**  
**AND**  
**AFFIDAVIT OF COMPLIANCE**

STATE OF OKLAHOMA    )  
                                  )    SS.  
COUNTY OF OKLAHOMA )

The undersigned affiant, of lawful age, being first duly sworn upon oath deposes and states:

1. That he is the Administrator of the Oklahoma Department of Securities (“Department”).

2. That a copy of the *Notice of Opportunity for Hearing* (“Notice”) with the *Enforcement Division Recommendation* (“Recommendation”) attached was delivered to Affiant in the office of the Administrator of the Department (“Administrator”) pursuant to Section 1-611 of the Oklahoma Uniform Securities Act (“Act”), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (Supp. 2009).

3. That the Administrator has received service of process on behalf of Respondents pursuant to Section 1-611 of the Act.

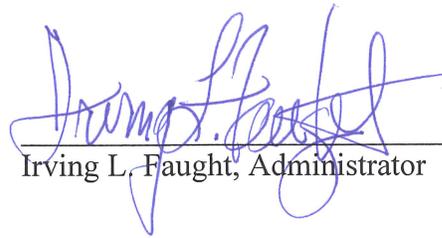
4. That a copy of the *Notice* with the *Recommendation* attached and a copy of this *Notice of Service on the Administrator* and *Affidavit of Compliance* are being sent this 21st day of April, 2010, by certified mail, return receipt requested, delivery restricted to addressee, to the last known addresses of Respondents, in compliance with Section 1-611 of the Act.

5. That this Affidavit of Compliance is declared filed of record as of the date set forth below in compliance with Section 1-611 of the Act.

FURTHER AFFIANT SAYETH NOT.

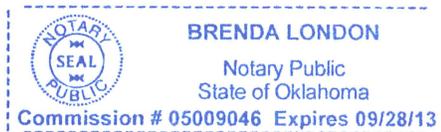
Dated this 21st day of April, 2010.

(SEAL)

  
Irving L. Faught, Administrator

Subscribed and sworn to before me this 21st day of April, 2010.

  
Notary Public



STATE OF OKLAHOMA  
DEPARTMENT OF SECURITIES  
FIRST NATIONAL CENTER, SUITE 860  
120 NORTH ROBINSON  
OKLAHOMA CITY, OKLAHOMA 73102



In the Matter of:

Centaurus Financial, Inc. (CRD# 30833),  
Raymond Chavez (CRD#2403218), and  
Bobby Ray Ledford II (CRD #4328431),

Respondents.

ODS File No. 09-049

**NOTICE OF OPPORTUNITY FOR HEARING**

1. Pursuant to his authority under Section 1-602 of the Oklahoma Uniform Securities Act of 2004 (Act), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (Supp. 2009), the Administrator of the Oklahoma Department of Securities (Department) authorized an investigation into the activities of Centaurus Financial, Inc., Raymond Chavez and Bobby Ray Ledford II, in connection with the offer and/or sale of securities in and/or from the state of Oklahoma.

2. On the 21st day of April, 2010, the attached Enforcement Division Recommendation (Recommendation) was left in the office of the Administrator.

3. Pursuant to Section 1-604 of the Act, the Administrator hereby gives notice to Respondents of their right to request a hearing to show why an order based on the Recommendation should not be issued.

4. The request for a hearing on the Recommendation must be received by the Administrator within fifteen (15) days after service of this Notice. Pursuant to Section 1-411 of the Act, failure to request a hearing as provided for herein shall result in the issuance of an order suspending Ledford from association with Centaurus and imposing civil penalties, censuring Chavez, and censuring and imposing a civil penalty against Centaurus subject to the provisions of the Act.

5. The request for hearing shall be in writing and Respondents shall specifically admit or deny each allegation in said request as required by 660:2-9-2 of the Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities (Rules).

6. Upon receipt of a written request, pursuant to 660:2-9-2 of the Rules, a hearing on this Notice shall be set within ninety (90) days or a written order denying hearing shall be issued.

7. Notice of the date, time and location of the hearing shall be given to Respondents not less than forty-five (45) days in advance thereof pursuant to 660:2-9-2 of the Rules. Additionally, the notice may contain matters to supplement this Notice and the Recommendation attached hereto.

Witness my Hand and the Official Seal of the Oklahoma Department of Securities this 21st day of April, 2010.

(SEAL)

  
\_\_\_\_\_  
Irving L. Faught, Administrator  
Oklahoma Department of Securities  
First National Center, Suite 860  
120 North Robinson  
Oklahoma City, Oklahoma 73102  
(405) 280-7700

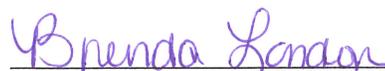
CERTIFICATE OF MAILING

The undersigned hereby certifies that on the 21st day of April, 2010, a true and correct copy of the above and foregoing *Notice of Opportunity for Hearing* and attached *Enforcement Division Recommendation* was mailed by certified mail, return receipt requested, delivery restricted, with postage prepaid thereon, addressed to:

Centaurus Financial Inc.  
2300 E. Katella Ave. Ste. 200  
Anaheim, CA 92806

Raymond Chavez  
2300 E. Katella Ave. Ste. 200  
Anaheim, CA 92806

Bobby Ray Ledford II  
2201 Wheaton Dr.  
Norman, OK 73071

  
\_\_\_\_\_  
Brenda London  
Paralegal

**STATE OF OKLAHOMA  
DEPARTMENT OF SECURITIES  
FIRST NATIONAL CENTER, SUITE 860  
120 NORTH ROBINSON  
OKLAHOMA CITY, OKLAHOMA 73102**

In the Matter of:

Centaurus Financial, Inc. (CRD# 30833),  
Raymond Chavez (CRD#2403218), and  
Bobby Ray Ledford II (CRD #4328431),

Respondents.

ODS File No. 09-049

**ENFORCEMENT DIVISION RECOMMENDATION**

Pursuant to Section 1-602 of the Oklahoma Uniform Securities Act of 2004 (“Act”), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (Supp. 2009), the Oklahoma Department of Securities (“Department”) conducted an investigation into the activities of Centaurus Financial Inc. (“Centaurus”), Raymond Chavez (“Chavez”) and Bobby Ray Ledford II (“Ledford”) (collectively, “Respondents”), in connection with the offer and/or sale of securities in and/or from the state of Oklahoma. Based thereon, the following Findings of Fact, Authorities, and Conclusions of Law are submitted to the Administrator of the Department (“Administrator”) in support of sanctions against Respondents.

**Findings of Fact**

1. At all times material hereto, Centaurus was a broker-dealer registered under the Act, an investment adviser registered with the United States Securities and Exchange Commission (“SEC”), and a member of FINRA (formerly known as the “NASD”). Centaurus remains registered as a broker-dealer under the Act, registered as an investment adviser with the SEC, and a member of FINRA. Centaurus’s main office is located in Anaheim, California.
2. At all times material hereto, Chavez was registered as an agent and investment adviser representative of Centaurus under the Act. Chavez operates, and has operated at all times material hereto, from Centaurus’ main office. At all times material hereto, Chavez was registered as a General Securities Principal with FINRA and was the designated supervisor of Ledford.
3. At all times material hereto, Ledford was registered as an agent and investment adviser representative of Centaurus under the Act. Ledford operates, and has operated at all times material hereto, from a Centaurus branch office located at 2201 Wheaton Drive, Norman, Oklahoma (“Norman Office”). Ledford is, and was at all times material hereto, the supervisory

principal of the Norman Office. Prior to 2004, Ledford was registered with Questar Capital Corporation (Questar). Ledford does business as Bayhill Investments.

*ICON Leasing Fund Twelve, LLC*

4. At times material hereto, Respondents Centaurus and Ledford offered and sold shares (Shares) in the ICON Leasing Fund Twelve (Fund Twelve). The Fund Twelve prospectus has a bold type statement on its cover that reads: **“Investing in our Shares involves a high degree of risk. You should purchase our Shares only if you can afford a complete loss of your investment.”**

5. The Fund Twelve prospectus includes the following risk factors:

- a. All or a substantial portion of your distributions may be a return of capital and not a return on capital;
- b. Initially, we will be a blind pool because we have not yet identified any specific investments and all of the potential risks of an investment in our Shares cannot be assessed at this time;
- c. The ability to resell Shares may be limited by the absence of a public trading market and, therefore, you should be prepared to hold your Shares for the life of Fund Twelve, which is anticipated to be approximately 10 years;
- d. Uncertainties associated with the equipment leasing industry may have an adverse effect on our business and may adversely affect our ability to give you any economic return from our Shares or a complete return of your capital;
- e. You will have limited voting rights and will be required to rely on our Manager to make all of our management decisions and achieve our investment objectives;
- f. Our Manager will receive substantial fees from us, and those fees are likely to exceed the income portion of distributions made to you during our early years;
- g. Because we will borrow money to make our investments, losses as a result of lessee defaults may be greater than if such borrowing were not incurred; and
- h. Our Manager’s decisions are subject to conflicts of interest.

6. The disclosures in the prospectus also include the following: (a) “you may not receive cash distributions every month and, therefore, you should not rely on any income from your Shares”; (b) the Fund Twelve’s Shares are an “illiquid asset”; and (c) there is no market for the Shares.

Suitability

7. Client N. Ten Eyck (Ten Eyck), a single woman, was born in 1922 and is a retired school teacher. At times material hereto, Ten Eyck was the owner of an American Skandia variable annuity purchased through Questar in January of 2003. While an agent of Questar, Ledford became the broker of record for the Ten Eyck account in which the American Skandia variable annuity was held.

8. In July of 2007, Ten Eyck met with Ledford, who had moved his registration from Questar to Centaurus, regarding earning more monthly income for herself. Ledford presented the Fund Twelve investment to Ten Eyck explaining (a) that the investment would provide monthly income, (b) that the principal would not be subject to stock or bond market fluctuations, and (c) that the distribution payout would be substantial.

9. At the time, Ten Eyck was the owner of an \$18,000 traditional IRA and a \$20,000 Roth IRA. Her other assets included a \$300,000 life insurance policy, a \$120,000 home, and a bank account with a monthly balance of approximately \$2,000. Ten Eyck's sole source of income was \$1,500 in social security payments per month.

10. Ledford recommended the Fund Twelve Shares as an appropriate investment for Ten Eyck. At no time did Ledford inform Ten Eyck that she should not rely on receipt of the Fund Twelve monthly distributions.

11. On July 17, 2007, Centaurus new account forms were submitted for Ten Eyck. A Centaurus *New Account Application* described Ten Eyck as having an annual income of \$50,000-\$100,000, a net worth of \$1,000,000, and an investment objective of current income. A second Centaurus form ("Form #2") described Ten Eyck as having an annual income of \$50,000-\$75,000, a net worth of \$1,100,000, a risk tolerance of high, and an investment objective of income. The financial information is written in handwriting other than that of Ten Eyck.

12. The New Account Application and Form #2 contain financial information that was contrary to Ten Eyck's actual annual income and net worth. In addition, the financial information has discrepancies from Ten Eyck's new account form from her January 2003 Questar investment. The Questar new account form shows that Ten Eyck had 20 years of investment experience and is a retired homemaker. Ledford approved the Questar new account form as the registered representative.

13. Ten Eyck did not want an aggressive investment strategy and was not sophisticated about investments. Ten Eyck wanted a liquid investment during her retirement.

14. Ten Eyck followed Ledford's advice to purchase the Fund Twelve Shares and liquidated her American Skandia variable annuity resulting in proceeds of approximately \$92,000. At the time of her Fund Twelve purchase, Ten Eyck was eighty-five years old.

15. Ledford received approximately \$7,360 in commission on Ten Eyck's \$92,000 investment in the Fund Twelve Shares.

#### Failure To Supervise

16. At all times material hereto, Chavez was the direct supervisor of Ledford and responsible for the review of all orders effected by Ledford.

17. Centaurus and Chavez had access to the information needed to evaluate whether investments offered by Ledford to Ten Eyck were suitable and in compliance with the Act, the

Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities (“Oklahoma Rules”), and Centaurus’ written policies.

18. Centaurus’ written supervisory procedures regarding direct participation programs state in part: “Due to the illiquidity and often greater risk associated with this type of investment, representatives must have clients complete and sign a #2 Order Form.” While a Form 2 was submitted for Ten Eyck, the form reflects an inflated financial profile and misrepresents her risk tolerance. The Form 2 and *New Account Application* were approved by Ledford, as both registered agent and manager, and by Chavez as Ledford’s supervisor.

19. The Fund Twelve Shares were unsuitable for Ten Eyck due to her age and investment objective.

20. At all times material hereto, final responsibility for proper supervision of Ledford rested with Centaurus, pursuant to Section 660:11-5-42(b)(22)(B) of the Rules.

To the extent any of these Findings of Fact are more properly characterized as Conclusions of Law, they should be so considered.

#### Authorities

1. Subsection (b) of Rule 660:11-5-42 of the Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities (“Rules”) provides in pertinent part:

(1) A broker-dealer and his agents, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade. A broker-dealer and his agents shall not violate any federal securities statute or rule or any rule of a national securities exchange or national securities association of which it is a member with respect to any customer, transaction or business effected in this state.

(2) In recommending to a customer the purchase, sale or exchange of any security, the broker-dealer and his agents shall have reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of the facts, if any, disclosed by such customer as to his other security holdings and as to his financial situation and needs. Prior to making a recommendation to a customer a broker-dealer shall also make reasonable efforts to obtain information concerning the customer's financial background, tax status, and investment objectives, and such other information used or considered to be reasonable and necessary by such broker-dealer or registered agent in making such recommendation.

2. NASD Conduct Rule 2110 provides:

A member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade.

3. NASD Conduct Rule 2310 provides in pertinent part:

(a) In recommending to a customer the purchase, sale or exchange of any security, a member shall have reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of the facts, if any, disclosed by such customer as to his other security holdings and as to his financial situation and needs.

4. NASD Conduct Rule 3010 provides in part:

(a) Supervisory System

Each member shall establish and maintain a system to supervise the activities of each registered representative and associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with the Rules of this Association. Final responsibility for proper supervision shall rest with the member[.]

\* \* \*

(b) Written Procedures

(1) Each member shall establish, maintain, and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives and associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with the applicable Rules of this Association.

5. Rule 660:11-5-42 of the Rules provides in pertinent part:

(22) The following standards shall apply to supervisory procedures:

(A) Each broker-dealer shall establish, maintain and enforce written procedures which will enable it to supervise properly the activities of each registered agent and associated person to assure compliance with applicable securities laws, rules, regulations and statements of policy promulgated by the Administrator and/or the Commission under the Securities Act.

(B) Final responsibility for proper supervision shall rest with the broker-dealer, the principal(s) of the broker-dealer registered in accordance with 660:10-5-11, and the principal(s) of the broker-dealer in each OSJ, including the main office, and the registered representatives in each non-OSJ branch office designated by the broker-dealer to carry out the supervisory responsibilities assigned to that office by the broker-dealer pursuant to the rules and regulations of the NASD. A copy of the written supervisory procedures shall be kept in each office of supervisory jurisdiction and each non-OSJ branch office.

(C) Each broker-dealer shall be responsible for keeping and preserving appropriate records for carrying out such broker-dealer's supervisory procedures. Each broker-dealer shall review and endorse in writing, on an internal record, all transactions and all correspondence of its registered agents pertaining to the solicitation or execution of any securities transactions.

6. Rule 660:11-7-42 of the Rules provides in pertinent part:

(b) An investment adviser or investment adviser representative shall not engage in dishonest or unethical practices including, although not limited to, the following:

(1) Recommending to a client to whom investment supervisory, management or consulting services are provided the purchase, sale or exchange of any security without reasonable grounds to believe that the recommendation is suitable for the client on the basis of information furnished by the client after reasonable inquiry concerning the client's investment objectives, financial situation and needs, and any other information known by the investment adviser or investment adviser representative.

7. Section 1-411 of the Act provides in part:

B. If the Administrator finds that the order issued is in the public interest and subsection D of this section authorizes the action an order issued under this act may revoke, suspend, condition, or limit the registration of a registrant and if the registrant is a broker-dealer or investment adviser, any partner, officer, or director, any person having a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser. However, the Administrator:

1. May not institute a revocation or suspension proceeding under this subsection based on an order issued by another state that is reported to the Administrator or designee later than one year after the date of the order on which it is based; and

2. Under subparagraphs a and b of paragraph 5 of subsection D of this section may not issue an order on the basis of an order under the state securities act of another state unless the other order was based on conduct for which subsection D of this section would authorize the action had the conduct occurred in this state.

C. If the Administrator finds that the order is in the public interest and paragraphs 1 through 6, 8, 9, 10, 12 or 13 of subsection D of this section authorizes the action, an order under this act may censure, impose a bar, impose a civil penalty in an amount not to exceed a maximum of Five Thousand Dollars (\$5,000.00) for a single violation or Two Hundred Fifty Thousand Dollars (\$250,000.00) for multiple violations on a registrant, and/or recover the costs of the investigation from a registrant and if the registrant is a broker-dealer or investment adviser, from any partner, officer, or director, any person having a similar function or any person directly or indirectly controlling the broker-dealer or investment adviser.

D. A person may be disciplined under subsections A through C of this section if the person:

\* \* \*

2. Has willfully violated or willfully failed to comply with this act or the predecessor act or a rule adopted or order issued under this act or the predecessor act within the previous ten (10) years;

\* \* \*

13. Has engaged in dishonest or unethical practices in the securities, commodities, investment, franchise, banking, finance or insurance business within the previous ten (10) years[.]

### **Conclusions of Law**

1. Ledford engaged in dishonest or unethical practices in violation of 660:11-5-42 and 660:11-7-42 of the Rules and NASD Conduct Rule 2310 by recommending a transaction in securities to Ten Eyck without having reasonable grounds for believing his recommendation was suitable for such customer.

2. Ledford failed to observe high standards of commercial honor and just and equitable principles of trade, in violation of 660:10-5-42 of the Rules and NASD Rule 2110.

3. Ledford violated NASD Conduct Rules 2110 and 2310 with respect to the above-referenced transaction effected in this state, in violation of 660:10-5-42 of the Rules.

4. Centaurus failed to properly supervise Ledford, in violation of 660:11-5-42(b)(22)(B) of the Rules.

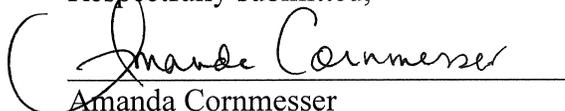
5. Centaurus failed to enforce its written procedures that would enable the firm to supervise properly the activities of each registered agent and associated person to assure compliance with applicable securities laws, rules, and regulations, in violation of 660:10-5-42 of the Rules.

To the extent any of these Conclusions of Law are more properly characterized as Findings of Fact, they should be so considered.

WHEREFORE, it is recommended that the Administrator issue an order suspending Ledford from association with Centaurus for thirty (30) business days; censuring Centaurus and Chavez; imposing a civil penalty against Ledford in the amount of Ten Thousand Dollars (\$10,000); imposing a civil penalty against Centaurus in the amount of Twenty-Five Thousand Dollars (\$25,000); and imposing such other sanctions as deemed appropriate and authorized by law.

Dated this 15th day of April, 2010.

Respectfully submitted,

  
Amanda Cornmesser

Terra Shamas  
Oklahoma Department of Securities  
120 North Robinson, Suite 860  
Oklahoma City, OK 73102  
Telephone: (405) 280-7700  
Attorneys for the Department