

ADMINISTRATIVE PROCEEDING
File No. 3-17849

SEC Charges Angel Oak Capital Partners with Operating an Unregistered Broker-Dealer

February 16, 2017 – The Securities and Exchange Commission today charged Atlanta, Georgia-based Angel Oak Capital Partners, LLC with operating an unregistered broker-dealer for more than four years, and St. Petersburg, Florida-based Peraza Capital & Investment, LLC and two persons associated with Angel Oak—Sreenivas Prabhu and David Wells—for causing Angel Oak’s violation.

Angel Oak agreed to pay \$3.6 million to settle the SEC’s charges.

An SEC investigation found that Angel Oak entered into an independent contractor agreement with Peraza Capital in late 2009 for the purpose of conducting a securities business, without registering as a broker-dealer. Traders employed by Angel Oak in its securities business were registered with the Financial Industry Regulatory Authority as registered representatives of Peraza Capital, while Angel Oak and Peraza Capital split the commission revenue generated as a result of their trading activities. Angel Oak and its owners or employees—who were not registered as broker-dealers or associated with a registered broker-dealer—were involved in the operations of the securities business, including by hiring new employees, determining compensation, engaging in marketing activities, and participating in relevant discussions as to how to operate the business. Angel Oak further held itself out as a broker-dealer and often used the “Angel Oak” name.

According to the SEC’s order, Peraza Capital facilitated Angel Oak’s trading activities, even though it knew Angel Oak was not registered and knew or should have known that the owners of Angel Oak, who were not all registered as broker-dealers or associated with a registered broker-dealer, were exercising control over the operation of the firm’s securities business. Prabhu, an owner of Angel Oak, and Wells, an employee of an affiliate of Angel Oak, engaged in conduct that caused Angel Oak’s violation.

In late 2014, Angel Oak discontinued its arrangement with Peraza Capital, and in December 2014, an affiliate of Angel Oak registered with the SEC as a broker-dealer.

The SEC’s order finds that Angel Oak violated Section 15(a) of the Exchange Act. Without admitting or denying the findings in the SEC’s order, Angel Oak consented to a cease-and-desist order, disgorgement plus prejudgment interest of approximately \$3.3 million, and a penalty of \$375,000. The SEC’s order further finds that Peraza Capital, Prabhu, and Wells caused Angel Oak’s violation of Section 15(a). Without admitting or denying the findings in the SEC’s order, Peraza Capital, Prabhu, and Wells consented to a cease-and-desist order. Prabhu and Wells agreed to each pay a penalty of \$40,000, and Peraza Capital agreed to additional proceedings to determine whether disgorgement, prejudgment interest and/or civil penalties are appropriate, and if so, in what amount. The additional proceedings will be scheduled for a public hearing before an administrative law judge, who will prepare an initial decision stating what, if any, remedial actions are appropriate.

The SEC's investigation was conducted by Christina M. Adams and supervised by Fuad Rana. The additional proceedings against Peraza Capital will be led by John Worland.

See also: [Order](#)