

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 80053 / February 16, 2017

ADMINISTRATIVE PROCEEDING
File No. 3-17849

In the Matter of

**ANGEL OAK CAPITAL
PARTNERS, LLC, PERAZA
CAPITAL & INVESTMENT,
LLC, SREENIWAS PRABHU,
AND DAVID W. WELLS,**

Respondents.

**CORRECTED ORDER INSTITUTING
ADMINISTRATIVE AND CEASE-AND-
DESIST PROCEEDINGS, PURSUANT TO
SECTIONS 15(b) AND 21C OF THE
SECURITIES EXCHANGE ACT OF 1934,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS AND A CEASE-
AND-DESIST ORDER, AND NOTICE OF
HEARING**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Angel Oak Capital Partners, LLC (“Angel Oak Capital Partners” or “AOC”), and pursuant to Section 21C of the Exchange Act against Peraza Capital & Investment, LLC (“Peraza Capital”), Sreeniwas Prabhu (“Prabhu”), and David W. Wells (“Wells”) (collectively, “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 15(b) and 21C of the

Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order, and Notice of Hearing (“Order”), as set forth below.

III.

On the basis of this Order and Respondents’ Offers, the Commission finds¹ that:

A. Introduction

1. This matter involves violations of the broker-dealer registration requirements of Section 15(a) of the Exchange Act by Angel Oak Capital Partners. Section 15(a) provides that brokers and dealers must register with the Commission, absent an applicable exemption.

2. From March 2010 to October 2014, Angel Oak Capital Partners violated the registration provisions of the Exchange Act by operating as an unregistered broker-dealer, primarily from an office located in Atlanta, Georgia. In late 2009, Angel Oak Capital Partners entered into an independent contractor agreement (the “IC Agreement”) with Peraza Capital, a registered broker-dealer. The agreement’s introduction provided that Angel Oak Capital Partners and Peraza Capital entered into the IC Agreement so that AOCP “may conduct a securities business through” Peraza Capital. Pursuant to the arrangement, traders employed by AOCP in its securities business were registered with FINRA as registered representatives of Peraza Capital. Peraza Capital also filed a Form BR with FINRA designating the Atlanta office as a branch office. By the terms of the agreement, Angel Oak Capital Partners was entitled to 85% of all commission revenue generated by the trading activities of the registered representatives in the Atlanta office. Peraza was to receive the remaining 15% for providing access to its trading platform, back office support, and clearance and settlement.

3. During the relevant period, Angel Oak Capital Partners held itself out as a broker-dealer. Angel Oak Capital Partners’ employees who were registered representatives of Peraza Capital entered into more than 900 trades and regularly solicited customers and marketed its securities business to prospective customers. In doing so, they often used the “Angel Oak” name.

4. Moreover, Angel Oak Capital Partners 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 to engage in securities activities and who would become registered representatives of Peraza Capital, determining compensation (including transaction-based compensation) for the employees, engaging in marketing activities, and participating in relevant discussions as to how to operate the business.

5. Angel Oak Capital Partners, an unregistered entity, received transaction-based compensation in connection with the purchase and sale of securities of approximately \$3,054,288 in commissions through its arrangement with Peraza Capital.

¹ The findings herein are made pursuant to Respondents’ Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

6. As a result of such conduct, Angel Oak Capital Partners engaged in broker-dealer activities without registering with the Commission, in violation of Section 15(a) of the Exchange Act.

7. Prabhu, an owner of Angel Oak Capital Partners, participated in deciding how to structure Angel Oak Capital Partners' securities business, including the initial decision to establish a relationship with Peraza Capital. Prabhu further participated in managing the affairs of Angel Oak Capital Partners' securities business and exercised a degree of control over the registered representatives who were associated with Peraza Capital and who were engaged in securities activities.²

8. Wells was involved in setting up the initial relationship between Angel Oak Capital Partners and Peraza Capital. In addition, for most of the relevant time period, Wells acted as the conduit for paying Angel Oak Capital Partners commission revenue generated as a result of the trading activities of the employees who were registered representatives of Peraza Capital. Wells was registered with Peraza Capital from 2009 to 2014 and acted as the branch manager and supervisor of the employees that operated under the name of Angel Oak and engaged in trading activities as registered representatives of Peraza Capital. Wells engaged in such conduct even though he knew Angel Oak Capital Partners was not registered as a broker-dealer and knew or should have known that the owners of Angel Oak Capital Partners, who were not registered as a broker-dealer or associated with a registered broker-dealer, were exercising control over the operation of the firm's securities business.

9. Peraza Capital, by permitting Angel Oak Capital Partners to access its trading platform, such as settlement and clearing services, provided assistance which allowed Angel Oak Capital Partners to operate a brokerage business without registering as a broker-dealer. Peraza Capital also facilitated Angel Oak Capital Partners' operation of its securities business by registering certain employees as licensed representatives through Peraza Capital. Peraza Capital facilitated Angel Oak Capital Partners' trading activities, even though it knew Angel Oak Capital Partners was not registered and knew or should have known that the owners of Angel Oak Capital Partners, 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. Through its arrangement with Angel Oak Capital Partners, Peraza Capital received commissions from the trading activity described above.

10. As a result of such conduct, Prabhu, Wells, and Peraza Capital caused Angel Oak Capital Partners' violation of Section 15(a) of the Exchange Act.

B. Respondents

11. **Angel Oak Capital Partners, LLC** ("Angel Oak Capital Partners" or "AOC"), which was formed in 2008, is one of several affiliated entities that operate under the Angel Oak name. Angel Oak Capital Partners is the general partner to Angel Oak Capital Advisors,

² Prabhu was registered with Peraza Capital from September 2009 to September 2012.

LLC (“Angel Oak Capital Advisors”), a registered investment adviser. Angel Oak Capital Partners is not registered with the Commission in any capacity.

12. **Peraza Capital and Investment, LLC (“Peraza Capital”)** is a Florida corporation and has been a registered broker-dealer with the Commission since 2002. Peraza Capital is currently known as LPE Securities, LLC. Its primary office is in St. Petersburg, Florida.

13. **Sreeniwas V. Prabhu**, age 44, lives in Atlanta, Georgia. He is a Managing Partner, a co-founder and the Chief Investment Officer of Angel Oak Capital Advisors. He is also an owner of AOC Securities, LLC (“AOC Securities”),³ a registered broker-dealer, Angel Oak Capital Partners II, LLC, and Angel Oak Consulting Group Portfolio Management, LLC. He is an indirect owner of Caravan Capital Management LLC. He currently holds a Series 66 license and previously held a Series 7 license, including for a period when he was associated with Peraza Capital. He was associated with Peraza Capital between September 2009 and September 2012.

14. **David W. Wells**, age 40, lives in Atlanta, Georgia. He is an employee of Angel Oak Capital Advisors. He formerly held Series 7 and 24 licenses while registered with Peraza Capital from approximately 2009 to 2014 and served as the branch manager and supervisor of the Atlanta office.

C. Facts

Angel Oak Capital Partners Entered into an Agreement with Peraza Capital

15. In early 2009, Prabhu, along with the firm’s other owners, wanted to conduct a securities business through Angel Oak Capital Partners and considered several options on how to set up the business, including by registering a broker-dealer. However, Prabhu was unsure whether a securities business would be profitable and would thus justify the expenses associated with registering a broker-dealer. Accordingly, Prabhu, in coordination with Wells and the firm’s other owners, explored alternatives to registering a broker-dealer.

16. Prabhu, among others, began negotiations with Peraza Capital to establish an arrangement by which Angel Oak Capital Partners would enter into a relationship with Peraza Capital. Prabhu intended that Angel Oak Capital Partners would run its securities business through Peraza Capital in exchange for payment of a percentage share of the commission revenue generated as a result of Angel Oak Capital Partners’ trading activities. In October 2009, the discussions culminated in the signing of the IC Agreement between Angel Oak Capital Partners and Peraza Capital.

17. The IC Agreement provided that Angel Oak Capital Partners would “conduct a securities business” through Peraza Capital. Peraza Capital was to provide “all necessary back office support” with respect to Angel Oak Capital Partners’ “sales and trading activities” and also provide a trading platform which allowed Angel Oak Capital Partners “to operate a trading desk to

³ In late 2014, Angel Oak Capital Partners discontinued its arrangement with Peraza Capital. In December 2014, AOC Securities, an affiliate of Angel Oak Capital Partners, registered with the Commission as a broker-dealer.

execute trades in bonds and mortgage-backed securities.” All trades would be cleared and settled by Peraza Capital’s clearing firm.

18. In October 2009, Peraza Capital filed a Form BR with FINRA designating an office in Atlanta established for the securities trading as an “Office of Supervisory Jurisdiction.”

19. Wells and other registered representatives in the Atlanta office began executing trades through Peraza Capital’s trading platform in March 2010. The employees of Angel Oak Capital Partners involved in securities trading registered with FINRA as registered representatives of Peraza Capital.

20. For most of the relevant time period, Wells served as the branch supervisor of the registered representatives in the Atlanta office. In December 2012, Wells entered into an independent contractor agreement with Peraza Capital on substantially the same terms as the initial IC Agreement.

21. Angel Oak Capital Partners incurred various expenses pursuant to the IC Agreements. In particular, Angel Oak Capital Partners provided the office space as well as supplies, computers, e-mail access, and access to Bloomberg services. Angel Oak Capital Partners further paid a salary or draw to its employees who were registered representatives, and provided health and retirement benefits.

22. As the firm’s business grew, Angel Oak Capital Partners tracked the profitability of its operations. For instance, Angel Oak Capital Partners prepared financial statements and other reports that tracked, on a monthly basis, the amount of commission revenue the firm earned (minus the share paid out to Peraza Capital) versus its expenses. These reports demonstrated that in certain months, Angel Oak Capital Partners earned a profit from its trading activities.

Angel Oak Capital Partners Generated Substantial Revenue from its Trading Activities

23. Angel Oak Capital Partners employees who were registered representatives of Peraza Capital brokered trades in fixed income securities and structured products, including mortgage-backed securities. Between March 2010 and October 2014, Angel Oak Capital Partners employees who were registered representatives of Peraza Capital entered into more than 900 trades.

24. The commissions generated by such trading activities were distributed as follows:

- Pursuant to the IC Agreements, Peraza Capital retained 15% of all commission revenue generated by the trading activities conducted by Angel Oak Capital Partners employees registered with Peraza Capital.⁴ Because the relevant trades were cleared through Peraza Capital’s clearing firm, Peraza Capital deducted its 15% share, on a monthly basis, before paying out the remaining balance.

⁴ From approximately April 2011 to July 2012, Peraza Capital’s share of the revenue was 10%. It went to 20% from approximately September to October 2011. For most of the relevant time period, Peraza Capital’s share was 15%.

- After retaining its 15% share, Peraza Capital transmitted the balance to the account of a registered representative of Peraza Capital. During most of the relevant period, this person was Wells.
- Wells, who engaged in securities trading activities, withheld his share of the commission revenue for any trades he handled. He then paid out the commission revenue to other Angel Oak Capital Partners' employees registered with Peraza Capital as compensation for their trading activities.
- Wells typically paid out the remaining balance of the commission revenue directly to Angel Oak Capital Partners. Wells frequently paid the remainder without regard to the amount of any expenses incurred by Angel Oak Capital Partners in support of the trading activities. Neither Wells nor Peraza Capital entered into an expense-sharing agreement with Angel Oak Capital Partners until January 2014.

25. During the relevant time period, Angel Oak Capital Partners received approximately \$3,054,288 in commissions as a result of its arrangement with Peraza Capital. Peraza Capital, in turn, received commissions as a result of the arrangement.

Angel Oak Capital Partners Operated a Securities Business

26. Angel Oak Capital Partners and its owners, who were not registered as broker-dealers or associated with a registered broker-dealer, controlled certain of the operations of the securities business engaged in by its employees, including by hiring new employees to engage in securities trading and who became registered representatives of Peraza Capital, determining compensation (including transaction-based compensation), and participating in relevant discussions as to how to operate the securities business.

27. Angel Oak Capital Partners marketed itself to prospective customers as providing broker-dealer services, without always disclosing its relationship with Peraza Capital. Angel Oak Capital Partners further prepared marketing materials for distribution to prospective customers that described the firm. One such document sent to a potential bank customer described the "Angel Oak Family of Companies" to include a "Full-Service Fixed Income Broker-Dealer." Moreover, trade confirmations provided to customers routinely indicated that it was "Angel Oak" that was involved in the transaction.

28. Angel Oak Capital Partners made all relevant decisions relating to the staffing of the securities business. For instance, when the firm commenced trading activities in March 2010, the firm had approximately six employees who were engaged in trading-related activities, including the regular solicitation of customers. The firm eventually hired additional staff to expand its securities business. These employees received offer letters from Angel Oak Capital Partners. Angel Oak Capital Partners also determined how much compensation the new hires would receive, including by setting their draws or salary, trading commission percentage and the amount of any performance bonus to which they would be entitled.

29. Angel Oak Capital Partners further held regular internal meetings to discuss the various Angel Oak business lines. These meetings included updates regarding the broker-dealer business, such as the number of trades conducted, new accounts opened, and information regarding prospective customers. In such communications, Angel Oak Capital Partners identified its trading activities as part of the firm's securities business and considered opportunities to expand the business.

Prabhu Caused Angel Oak Capital Partners to Violate Section 15(a) of the Exchange Act

30. Prabhu participated in the management of the securities business in the Atlanta office, and exercised a degree of control over those employees who engaged in securities trading as registered representatives of Peraza Capital. Prabhu did so, even though for most of the relevant time period he was not registered as a licensed securities representative or principal.

31. Prabhu participated in deciding how to structure Angel Oak Capital Partners' securities business, including the initial decision to establish a relationship with Peraza Capital. Prabhu, along with the firm's other owners, wanted to conduct a securities business through Angel Oak Capital Partners but were concerned about the cost of registering a broker-dealer. Prabhu therefore wanted to determine whether the firm could profitably conduct a securities business before deciding whether to register as a broker-dealer. Prabhu led negotiations with Peraza Capital to set up the relationship, which culminated in the signing of the initial IC Agreement in October 2009, and further negotiated with Peraza Capital the percentage fee arrangement.

32. Prabhu further participated in the affairs of the securities business in the Atlanta office. For instance, Prabhu was involved in determining compensation, including performance bonuses, for some employees of Angel Oak Capital Partners who were registered representatives of Peraza Capital. He further provided input into the amount of compensation some new hires of the firm were to receive. On several occasions, Prabhu was asked to address personnel problems and other internal issues that arose in the course of operating the securities business. Prabhu also received regular updates about the marketing and trading activities of employees of Angel Oak Capital Partners who were registered representatives of Peraza Capital. He further received regular updates regarding the profitability of the business.

Wells and Peraza Capital Further Caused Angel Oak Capital Partners to Violate Section 15(a) of the Exchange Act

33. Like Prabhu, Wells was involved in setting up the initial relationship between Angel Oak Capital Partners and Peraza Capital. At the time, Wells understood that Angel Oak Capital Partners could register as a broker-dealer, but the firm first wanted to determine whether it could operate a securities business profitably before deciding to register with the Commission. Wells was also involved in negotiating the percentage fee that Peraza Capital would retain in connection with the IC Agreements.

34. Once the initial IC Agreement was executed, Wells took the Series 24 exam and acted as the branch supervisor of the Angel Oak Capital Partners' employees who were registered representatives of Peraza Capital and who engaged in securities trading. Wells was responsible for entering all trades into the trading platform of Peraza Capital. Wells provided regular updates to,

and took direction from, unregistered owners of Angel Oak Capital Partners regarding the operation of the securities business and its profitability.

35. For most of the relevant time period, Wells acted as the conduit for paying Angel Oak Capital Partners commission revenue generated by the trading activity of the Angel Oak Capital Partners' employees who were registered representatives of Peraza Capital. After Peraza Capital retained its share of the commission revenue generated by the trading, Peraza Capital paid the balance to a personal bank account in the name of Wells. Wells then paid himself as well as the other Angel Oak Capital Partners' employees who were registered representatives of Peraza Capital and engaged in securities trading. Wells then often paid the remaining balance directly to Angel Oak Capital Partners.

36. Wells engaged in the foregoing conduct even though he knew Angel Oak Capital Partners was not registered as a broker-dealer and knew or should have known that the owners of Angel Oak Capital Partners, who were not registered as broker-dealers or associated with a registered broker-dealer, were controlling the operation of the firm's securities business.

37. Peraza Capital provided Angel Oak Capital Partners employees who were registered representatives of Peraza Capital access to its trading platform, through which trades were submitted for execution. Peraza Capital also provided access to its clearing firm arrangement as well as trade support services. Peraza Capital employees interacted with the clearing firm on behalf of Angel Oak Capital Partners. Peraza Capital also allowed employees of Angel Oak Capital Partners to register with Peraza as licensed securities representatives. Peraza Capital facilitated Angel Oak Capital Partners' ability to operate as an unregistered broker-dealer by providing these services when it knew or should have known that the owners of AOC, who were not all registered as broker-dealers or associated with a registered broker-dealer, were controlling the securities activities of the employees involved in the securities business.

38. Peraza Capital also facilitated the payment arrangement by which Angel Oak Capital Partners indirectly received transaction-based compensation through Wells. As discussed above, Wells, as a licensed supervisor for Peraza Capital, received from Peraza Capital transaction-based compensation, which he then transmitted to Angel Oak Capital Partners periodically, typically on a monthly basis.

D. Violations

39. As a result of the conduct described above, AOC willfully violated Section 15(a) of the Exchange Act.⁵

40. As a result of the conduct described above, Peraza Capital, Prabhu, and Wells caused AOC's violation of Section 15(a) of the Exchange Act.⁶

⁵ A willful violation of the securities laws means merely "that the person charged with the duty knows what he is doing." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).

IV.

Pursuant to this Order, Peraza Capital agrees to additional proceedings in this proceeding to determine whether it is appropriate to order disgorgement, prejudgment interest and/or civil penalties pursuant to Sections 21B and 21C of the Exchange Act, and if so, the amount of disgorgement and/or civil penalties. If disgorgement is ordered, Respondent Peraza Capital shall pay prejudgment interest thereon, calculated from October 1, 2014, based on the rate of interest used by the Internal Revenue Service for the underpayment of federal income tax as set forth in 26 U.S.C. § 6621(a)(2). In connection with such additional proceedings, Peraza Capital agrees: (A) it will be precluded from arguing that it did not violate the federal securities laws described in this Order; (b) it may not challenge the validity of its Offer of Settlement and this Order; (c) solely for the purposes of such additional proceedings, the findings made in this Order shall be accepted as and deemed true by the hearing officer; and (d) the hearing officer may determine the issues raised in the additional proceedings on the basis of testimony, affidavits, declarations, excerpts of sworn deposition or investigative testimony, and documentary evidence.

V.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondents' Offers, and to continue proceedings against Peraza Capital to determine whether it is appropriate to order disgorgement and/or civil penalties pursuant to Sections 21B and 21C of the Exchange Act, and, if so, the amount(s) of the disgorgement and/or civil penalties, in accordance with Section IV above.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent Angel Oak Capital Partners cease and desist from committing or causing any violations and any future violations of Section 15(a) of the Exchange Act.

B. Pursuant to Section 21C of the Exchange Act, Respondent Peraza Capital cease and desist from committing or causing any violations and any future violations of Section 15(a) of the Exchange Act.

C. Pursuant to Section 21C of the Exchange Act, Respondent Prabhu cease and desist from committing or causing any violations and any future violations of Section 15(a) of the Exchange Act.

D. Pursuant to Section 21C of the Exchange Act, Respondent Wells cease and desist from committing or causing any violations and any future violations of Section 15(a) of the Exchange Act.

⁶ For "causing" liability, three elements must be established: (1) a primary violation, (2) an act or omission by the respondent that was a cause of the violation, and (3) the respondent knew, or should have known, that his conduct would contribute to the violation. Negligence is sufficient to establish liability for causing a primary violation that does not require proof of scienter.

E. Respondent Angel Oak Capital Partners be, and hereby is, censured pursuant to Section 15(b)(6) of the Exchange Act.

F. Angel Oak Capital Partners shall pay disgorgement of \$3,054,288, prejudgment interest of \$237,082, and a civil money penalty of \$375,000—for a total amount of \$3,666,370—to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment of disgorgement and prejudgment interest is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. If timely payment is not made on the civil money penalty, additional interest shall accrue pursuant to 31 U.S.C. §3717. Payment shall be made in the following installments:

1. \$1,833,185, within 10 days of entry of this Order;
2. \$458,296.25, within 90 days of entry of this Order;
3. \$458,296.25, within 180 days of entry of this Order;
4. \$458,296.25, within 270 days of entry of this Order; and
5. \$458,296.25, within 360 days of entry of this Order.

If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of disgorgement, prejudgment interest, and civil penalties, plus any additional interest accrued pursuant to SEC Rule of Practice 600 or pursuant to 31 U.S.C. 3717, shall be due and payable immediately, without further application.

G. Prabhu shall pay a civil money penalty of \$40,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made on the civil money penalty, additional interest shall accrue pursuant to 31 U.S.C. §3717. Payment shall be made in the following installments:

1. \$20,000 within 10 days of entry of this Order;
2. \$10,000, within 180 days of entry of this Order; and
3. \$10,000, within 360 days of entry of this Order.

H. Wells shall pay a civil money penalty of \$40,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made on the civil money penalty, additional interest shall accrue pursuant to 31 U.S.C. §3717. Payment shall be made in the following installments:

1. \$20,000 within 10 days of entry of this Order;
2. \$10,000, within 180 days of entry of this Order; and
3. \$10,000, within 360 days of entry of this Order.

I. Payments by Respondents must be made in one of the following ways:

- (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

- (2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying the Respondents in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Gerald W. Hodgkins, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F Street, N.E., Washington, DC 20549.

J. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

VI.

IT IS FURTHER ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section IV hereof shall be convened not earlier than sixty (60) days and not later than ninety (90) days from service of this Order at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

If Peraza Capital fails to appear at a hearing after being duly notified, Peraza Capital may be deemed in default and the proceedings may be determined against it upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.221(f) and 201.310.

This Order shall be served forthwith upon Peraza Capital as provided for in the Commission's Rules of Practice.

IT IS FURTHER ORDERED that, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice, 17 C.F.R. § 201.360(a)(2), the Administrative Law Judge shall issue an initial decision no later than 120 days from the occurrence of one of the following events: (A) The completion of post-hearing briefing in a proceeding where the hearing has been completed; (B) Where the hearing officer has determined that no hearing is necessary, upon completion of briefing on a motion pursuant to Rule 250 of the Commission's Rules of Practice, 17 C.F.R. § 201.250; or (C) The determination by the hearing officer that a party is deemed to be in default under Rule 155 of the Commission's Rules of Practice, 17 C.F.R. § 201.155 and no hearing is necessary.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

VII.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondents, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondents under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondents of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields
Secretary