

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 11090 / August 10, 2022

INVESTMENT ADVISERS ACT OF 1940
Release No. 6084 / August 10, 2022

ADMINISTRATIVE PROCEEDING
File No. 3-20953

In the Matter of

**ANGEL OAK CAPITAL
ADVISORS, LLC and
ASHISH NEGANDHI**

Respondents.

**ORDER INSTITUTING
ADMINISTRATIVE AND CEASE-AND-
DESIST PROCEEDINGS, PURSUANT TO
SECTION 8A OF THE SECURITIES ACT
OF 1933 AND SECTIONS 203(e), 203(f)
AND 203(k) OF THE INVESTMENT
ADVISERS ACT OF 1940 MAKING
FINDINGS, AND IMPOSING REMEDIAL
SANCTIONS AND A CEASE-AND-
DESIST ORDER**

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 Section 8A of the Securities Act of 1933 (“Securities Act”), and Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) against Angel Oak Capital Advisors, LLC and Ashish Negandhi (“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 proceeding 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, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the

Securities Act of 1933, and Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

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

SUMMARY

1. This matter involves the inaccurate disclosure of mortgage delinquency rates by Angel Oak Capital Advisors, LLC (“Angel Oak”) in connection with the securitization of residential mortgage loans. In March 2018, Angel Oak raised \$90 million from investors through the first-ever securitization of a pool of “fix and flip” loans, which are loans made to borrowers for the purpose of purchasing, renovating and selling residential properties. Shortly after the closing of the offering in March 2018, Angel Oak observed an unexpected increase in the rate of mortgage late payments, or delinquencies, in the underlying pool of “fix and flip” mortgages. The rising delinquency rate, which continued through 2019, threatened to breach an early amortization trigger in the securitization that was designed to protect noteholders against losses by requiring early repayment of the investment.

2. Faced with the rising delinquency rates, Angel Oak became increasingly concerned about the adverse harm to the firm that would result from an early amortization, particularly so soon after the securitization’s closing in March 2018. Among other things, Angel Oak discussed the negative impact of an early amortization on the firm’s ability to conduct future securitizations as well as on investors’ perception of the quality of the underwriting criteria used by Angel Oak affiliates to originate mortgage loans. Angel Oak also discussed the adverse financial impact of an early amortization on Angel Oak-managed private funds, which owned the junior tranche of the securitization notes.

3. To prevent an early amortization, Angel Oak undertook an undisclosed effort to reduce mortgage delinquency rates by diverting mortgage loan funds held in escrow accounts, referred to as loan in progress accounts (LIP accounts), to make payments on borrowers’ delinquent mortgages. The use of funds held in LIP accounts in this manner contravened disclosures to investors in the securitization’s offering materials as to the use of the LIP accounts, which were intended to periodically disburse funds to borrowers for purposes of reimbursing expenses related to renovating the mortgaged properties. As a result of such conduct, Angel Oak reduced delinquency rates in the underlying loan pool and prevented an early amortization from occurring. Had Angel Oak not engaged in these practices, the early amortization trigger would have been breached in November 2018, thereby requiring early repayment of the investment principal to senior tranche noteholders.

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.

4. Throughout the period of the securitization, Angel Oak disseminated performance information data to noteholders, through monthly reports prepared by the securitization's trustee, which disclosed, among other things, the delinquency rates on the mortgages in the securitization pools as well as the securitization's compliance with the early amortization trigger. Angel Oak, however, did not disclose to noteholders that it had used funds held in escrow in LIP accounts to mitigate loan delinquencies, or that, but for the use of such funds, an early amortization would have been triggered. As a result, Angel Oak's statements that were incorporated in the monthly trustee reports regarding delinquency rates and its compliance with the early amortization trigger were materially false and misleading.

5. Ashish Negandhi, a senior portfolio manager at Angel Oak, was aware that as a result of rising mortgage delinquency rates, the securitization was at risk of breaching the early amortization trigger. Negandhi was further aware of the adverse financial and reputational harm to Angel Oak that could result from an early amortization. To prevent an early amortization, Negandhi approved the use of LIP account funds on specific delinquent mortgage loans to bring those loans current in their status. However, Negandhi failed to ensure that accurate information regarding actual delinquency rates or the securitization's compliance with the early amortization trigger was disclosed to noteholders. Angel Oak and Negandhi also failed to inform the board of directors for a private fund for which Angel Oak served as investment adviser of its improper use of LIP funds. Had Angel Oak and Negandhi not engaged in these practices, the deal's triggers would have been breached, and an early amortization would have been declared, in November 2018.

6. As a result, Angel Oak and Negandhi willfully violated Sections 17(a)(2) and 17(a)(3) of the Securities Act. In addition, Angel Oak willfully violated, and Negandhi caused Angel Oak's violation of, Section 206(2) of the Advisers Act.

RESPONDENTS

7. **Angel Oak Capital Advisors, LLC ("Angel Oak")**, is a SEC-registered investment adviser, based in Atlanta, Georgia. Formed in 2009, Angel Oak has \$21 billion in assets under management. Angel Oak is primarily engaged in real estate finance, and with its affiliates, originate, service, purchase, sell, securitize, and invest in non-Agency and non-qualified mortgage loans.

8. **Ashish Negandhi**, age 52, lives in Atlanta, Georgia, and has been employed by Angel Oak since 2010. Negandhi is a portfolio manager on the Whole Loans team, which was responsible for purchasing whole loans to be securitized by Angel Oak as well as monitoring the securitizations' performance after their sale to investors.

FACTS

The AOMT 2018-PB1 Offering and Disclosures Made to Investors

9. On March 14, 2018, Angel Oak, through Angel Oak Mortgage Trust ("AOMT"), issued AOMT 2018-PB1 (the "PB1 Offering"), a \$90 million dollar securitization of fix and flip

loans. Fix and flip loans are short term, high interest loans issued to borrowers to purchase a property for the purpose of renovating and later selling the improved property or converting the property to a rental unit. The fix and flip loans that were included in the securitization collateral pool had been originated by an Angel Oak-affiliated entity, Angel Oak Prime Bridge (“Prime Bridge”). Along with a sub-servicer, Prime Bridge continued to service the fix and flip loans after the March 2018 closing.

10. The PB1 Offering consisted of two classes of notes that were separately sold to investors: (i) Class A (or senior) notes with a face value of \$63 million, and (ii) Class R (or junior) notes with a face value of \$27 million. The Class A notes were initially purchased by four institutional investors and fourteen bank investors. The Class R notes were held throughout the relevant period by two private funds advised by Angel Oak.

11. Angel Oak, through AOMT, provided an Offering Memorandum for the PB1 Offering that described the material terms of the securitization, including (as is relevant here) the length of the revolving period; the operation of certain early amortization triggers that operated to protect the noteholders; and the purpose and intended use of funds held in the LIP accounts.

12. The revolving period of the PB1 Offering, which began on the closing date, was scheduled to end at the earlier of either eighteen months or the occurrence of an amortization event. During the revolving period, the Class A noteholders were to receive fixed interest payments. At the end of the revolving period, the interest-only payments to Class A noteholders would stop and principal payments to the Class A noteholders would commence until they were repaid in full for the initial value of their investment. Class R noteholders would not be repaid principal until after the Class A noteholders were paid back in full.

13. An amortization event could occur upon one of several trigger events specified in the Offering Memorandum. The trigger events were included in the securitization for the protection of the Class A Noteholders. In particular, upon occurrence of a trigger event, the Class A Noteholders would receive early repayment of their principal investment, rather than having to wait until the end of the revolving period.

14. One such trigger would occur when the three-month average of 60+ day delinquencies on the loans was greater than 15.00% of the total unpaid principal balance for two consecutive months (“60 Day Delinquency Trigger”). The 60 Day Delinquency Trigger generally provided an indication as to the delinquency rates in the underlying mortgage pool. Angel Oak internally tracked its compliance with the 60 Day Delinquency Trigger.

15. Angel Oak also provided information regarding its compliance with the 60 Day Delinquency Trigger, among other things, to the PB1 Offering’s trustee. The trustee in turn disseminated such information in monthly reports provided to the Class A and Class R Noteholders. The monthly trustee reports also contained updates on delinquency rates for the mortgage loans, in categories including “Current”, “30-59”, “60-89”, “90-119”, and “120+ days.” Angel Oak reviewed the trustee reports prior to their dissemination to noteholders.

16. During the revolving period, the PB1 Offering included 903 mortgage loans. For each of these loans, a portion of the loan amount was held back from the borrower and set aside in an escrow account, known as a “Loan in Progress” or “LIP” account. Mortgage funds held in the LIP account were intended to reimburse the borrower for the on-going costs of renovating the properties—once a borrower made improvements to the property, using their own funds, they could seek reimbursement of their expenses from the funds held in the LIP accounts. Prime Bridge, the loan servicer, was responsible for disbursements made from the LIP accounts and typically required a borrower to be current before disbursing funds from the LIP accounts to reimburse renovation expenses. Prime Bridge also retained third parties to inspect the improved properties and required borrowers to submit receipts of work performed before disbursing funds from the LIP accounts. The withheld balance in the LIP accounts remained part of the total unpaid balance owed by the borrower.

17. Through the PB1 Offering Memorandum, Angel Oak included several disclosures regarding the LIP accounts. As is relevant here, the PB1 Offering Memorandum stated that funds held in these accounts would be used for repairs and/or renovations to the mortgaged properties. Although the Offering Memorandum contained disclosures about loss mitigation and loan forbearance measures available to Angel Oak to address mortgage delinquencies, none of those provisions specifically referenced the use of funds held in LIP accounts to reduce delinquencies.

18. During the revolving period, PB1 Offering notes traded in the secondary market. In addition to the information Angel Oak disseminated through the monthly trustee reports, performance data for the PB1 Offering, including mortgage loan delinquency data, was made available to investors and potential investors through other financial data applications.

19. In his role as portfolio manager on the Whole Loans team, Negandhi was involved in the origination of the PB1 Offering as well as monitoring the performance of the PB1 Offering during the revolving period, including as it relates to compliance with the early amortization trigger events, such as the 60 Day Delinquency Trigger. Negandhi further was aware that information regarding the performance of the PB1 Offering was provided by Angel Oak to the trustee for inclusion in monthly reports disseminated to noteholders.

Angel Oak’s Concerns as Mortgage Delinquency Rates Rose Unexpectedly after the Closing of the PB1 Offering

20. Shortly after the close of the PB1 Offering in March 2018, Angel Oak, including Negandhi, observed that delinquencies in the underlying mortgage loan pool were rising faster than projected. As loan delinquencies in the underlying loan pool began to increase, Angel Oak, including Negandhi, closely monitored delinquency rates as well as the implications of the delinquency rates for the overall performance of the PB1 Offering, including whether rising delinquencies would result in an early amortization by, for instance, breaching the 60 Day Delinquency Trigger.

21. Angel Oak became increasingly concerned about the negative impact to the firm and its affiliates that would result if an early amortization occurred as a result of breaching the 60 Day Delinquency Trigger. In particular, Angel Oak employees, including Negandhi, discussed the

adverse impact that might result to its securitization business and reputation and the firm's ability to offer additional securitizations in the future. Throughout 2018 and 2019, in addition to the PB1 Offering, Angel Oak, through AOMT, issued eight larger securitizations of mortgages originated by affiliate lenders with a total face value of over \$3.57 billion. An early amortization that resulted from higher-than-expected delinquency rates so soon after closing could call into question the underwriting criteria employed by Angel Oak affiliates to originate other mortgage loans; the quality of the collateral for Angel Oak securitizations; and Angel Oak's affiliates' ability to properly service its loans.

22. For example, as early as May 2018, an Angel Oak portfolio manager sent an email to managers of Prime Bridge and Negandhi (among others), stating, in part: "We have to keep the 3 month average of 60+ dq [delinquencies] under 15% to avoid an early amortization trigger to trip. This trigger tripping would be extremely negative for our prospects of doing further securitizations and will also negatively impact our broader AOMT shelf."² Furthermore, in September 2018, Negandhi invited certain Angel Oak employees and managers to a call to discuss the delinquencies, stating, in part: "...would like to get everyone on the same page regarding the delinquency number in AOMT 2018-1 PB1 which is currently at ~18%. The 3 month average is 13%. We would need to be under 13% at end of Sept. to avoid the 3 month average trigger."

23. In September 2018, the Board of the Angel Oak-managed private fund discussed internally the implications of an early amortization caused by breaching the 60 Day Delinquency Trigger. Angel Oak prepared, for the Board, a document that stated: "While the fix and flip loans are a different transaction than that of our other eight non-QM securitizations, it does share the same overall program name, Angel Oak Mortgage Trust, as well as having collateral from an affiliate originator. As a result, it could create a negative impact on the overall program."

24. In addition to concerns about the direct impact to Angel Oak's business, Angel Oak, including Negandhi, also discussed the potential impact of an early amortization on the two private funds managed by Angel Oak, which held the Class R notes (or junior tranche). In particular, an early amortization would result in an early repayment of principal and interest to the senior Class A Noteholders, and create the possibility that insufficient assets would remain in the securitization trust to repay the Class R Noteholders their full principal and interest, thereby resulting in a financial loss to the funds. As a portfolio manager for one of the private funds stated in late May 2018: "It's just that the [delinquency] number has gone so high so quickly it is so critical to act quickly and cure as much as we can. At the end of June we need 60+ to be 10% in order to avoid tripping."

Angel Oak Improperly Diverted Funds Escrowed in LIP Accounts to Reduce Mortgage Delinquency Rates

25. In or around June 2018, in an attempt to lower the rising mortgage delinquency rates, and thereby avoid breaching the 60 Day Delinquency Trigger, Angel Oak, with the assistance of its affiliated entities including Prime Bridge, engaged in an undisclosed effort to divert funds escrowed in LIP accounts to bring delinquent mortgage loans into current status.

² The term "shelf" in this context refers to all securitizations by Angel Oak under the AOMT name.

Negandhi participated in the decision to approve the use of LIP funds to reduce delinquencies, and he approved which delinquent loans should receive LIP funds for this purpose.

26. The use of funds held in LIP accounts in this manner was not consistent with disclosures made to investors in the PB1 Offering Memorandum. The Offering Memorandum contemplated that the LIP account funds would be used for the improvement of the mortgaged properties, and would be disbursed only upon submission of receipts and inspections of the completed renovations. However, Angel Oak used funds held in the LIP accounts without complying with these requirements.

27. Generally, Angel Oak's affiliate, Prime Bridge, in conjunction with Angel Oak, contacted delinquent borrowers and instructed them to make requests for mortgage loan funds to cover property improvements, with the understanding that the funds would instead be used to pay off delinquent balances. For example, on September 14, 2018, an employee responsible for servicing the loans informed others at Prime Bridge: "Spoke to partner of property. He will make payment on Monday asking for lip [sic] to be advanced for other 2 [delinquent] payment[s]" In some instances, Prime Bridge did not communicate with borrowers its intention to use LIP account funds to make interest payments on delinquent loans, and transferred the funds from the LIP accounts to make the payments.

28. Angel Oak and its affiliates focused on those delinquent mortgage loans with significant untapped balances held in LIP accounts, so that those balances could be used to pay off at least two months of delinquencies. For instance, on September 18, 2018, an employee at an Angel Oak-affiliated mortgage originator emailed several individuals at Angel Oak, including Negandhi, and Prime Bridge, among others: "Attached is a list of loans for which clients are due for 8/1 payment. Essentially they need to make the 8/1 and 9/1 payments to be brought current by EOM [end of month]. These total 28 loans for over 10mm in [unpaid mortgage balance] in the securitized portfolio. LIP balances for these 28 total 1.6mm. We have a lot of opportunity with this group files...."

29. Angel Oak and its affiliates closely tracked the extent to which the use of funds held in LIP accounts reduced the overall delinquency rate in the securitization, including against the 15% 60 Day Delinquency Trigger. For instance, on September 25, 2018, an employee at an Angel Oak-affiliate provided a status report on the use of LIP funds as the end of the month approached:

This list filtered to reflect investor code 4681 and loans >60 days DLQ.
This is our focus... Color codes are as follows:

Based on these figures, we have cured or will cure with LIP advances today an additional \$7,015,671

Please note my calculations still reflect the following with the above updates:

- Total UPB in the deal: \$78,147,452
- Total DLQ > 60 days: \$18,804,838

- 24% overall DLQ for the deal

This number still needs to be essentially cut in half (13% DLQ) to avoid a breach of the securitization. (emphasis in original). There is a lot of headway to make to avoid this trigger by Friday.

30. Negandhi responded to the email: “Great progress.”

31. During this time, Angel Oak and its affiliates also used LIP account funds to bring loans that were in foreclosure into current status. In this same September 25, 2018 email, the employee at an Angel Oak-affiliate stated: “Orange coded loans represent loans for which no draw request has been received but LIP can be advanced. Many of these loans are also active FCLS [foreclosures] and need to be discussed.”

32. Had Angel Oak not improperly used LIP funds to reduce mortgage loan delinquencies, the 60 Day Delinquency Trigger would have been breached in November 2018. As a result, Class A Noteholders would have received early repayment of their principal investment at that time.

33. Moreover, Angel Oak did not inform investors that it was using LIP account funds to avoid triggering delinquencies in a manner that contradicted disclosures to investors in the PB1 Offering Memorandum regarding the appropriate usage of such funds. Angel Oak did so even though in September 2019, Angel Oak treated “current loans” which had received LIP funds as more than 60 days delinquent for an internal analysis projecting future losses for the PB1 deal.

Angel Oak Disseminated Misleading Data Regarding Delinquency Rates That Was Incorporated in Monthly Trustee Reports

34. On a monthly basis, Angel Oak and its affiliates compiled information related to the performance of the PB1 Offering, which was then transmitted to a third-party trustee. In turn, the trustee, relying on this information, prepared a monthly report that was disseminated to noteholders in the PB1 Offering. The trustee report provided various categories of information relevant to the performance of the PB1 Offering, including the outstanding balances of the mortgage loans in the underlying collateral pool, the outstanding principal balance, and summary information regarding the characteristics of the mortgage loans (for instance, geographic distribution).

35. In addition, the monthly reports included information regarding the balances held in LIP accounts (including beginning and ending balances, and disbursements) and mortgage delinquency rates, which were categorized by time period (e.g., Current, 30-59 days, 60-89 days, 90-119 days, and 120+ days). The monthly reports further included summary information as to the PB1 Offering’s compliance with amortization triggers, such as the 60 Day Delinquency Trigger. For instance, the December 2018 monthly report stated that the 60 Day Delinquency Trigger was “14.27869%,” while noting that the “Trigger Level” was “>15%.”

36. By improperly using funds held in LIP accounts to reduce mortgage delinquency rates without disclosure, Angel Oak disseminated to noteholders and prospective investors via the monthly reports, materially false and misleading information in the monthly trustee reports. In particular, the monthly trustee reports understated the actual delinquency rates on the mortgages in the securitization pools as well as the 60 Day Delinquency Trigger calculation. Without accurate information about delinquency rates on the mortgages, noteholders were deprived of the ability to accurately assess the overall risk and performance of their investment in the PB1 Offering. Noteholders were also unaware that an early amortization event should have been triggered in November 2018, which would have caused early repayment of principal to the Class A noteholders.

37. Negandhi was aware that information regarding mortgage delinquency rates in the PB1 Offering as well as compliance with the 60 Day Delinquency Trigger was provided by Angel Oak to the trustee for inclusion in the monthly reports disseminated to noteholders. However, he failed to take any steps to ensure that the data disseminated by Angel Oak to the trustee reflected accurate mortgage delinquency rates or the PB1 Offering's compliance with the 60 Day Delinquency Trigger.

Negandhi Failed to Provide Accurate Information to the Board of Directors of a private Angel Oak-Managed Fund.

38. From time to time, Negandhi, in his role as a portfolio manager on the Whole Loan team, updated the Board of Directors of the two private funds managed by Angel Oak which were Class R Noteholders (junior tranche) in the PB1 Offering.

39. In September 2018, members of the Board of Directors of one of the private funds requested information from Angel Oak regarding efforts being undertaken, in light of the rising mortgage delinquency rates, to avoid breaching the 60 Day Delinquency Trigger. In particular, members of the Board submitted a series of written questions asking: "If 15% value is breached, who enacts next steps? If the limit is breached, what happens in the near, medium, and long term? What is the impact to future AOMT securitizations if breached? What mitigating factors are being undertaken to avoid a breach?"

40. Negandhi prepared a written response, describing the potential impact to the Class R Noteholders of an early amortization, including that "all cash flows [would be diverted] to pay down the senior notes until they are all paid off. This shuts-off income on the bonds held [by the Angel Oak funds] over the near to medium-term. Over the long-term, once the seniors are paid-off, all the income and recoveries from any defaulted loans would come back to the funds."

41. In addition, Negandhi explained the steps being taken to mitigate the loan delinquencies including that the "servicers are working with current and delinquent borrowers to figure out ways to bring them current." However, Negandhi failed to inform the Board about Angel Oak's use of LIP account funds to reduce mortgage delinquency rates. Negandhi withheld this information even though Angel Oak had been using funds in this manner since at least June 2018.

VIOLATIONS

42. As a result of the conduct described above, Angel Oak and Negandhi willfully³ violated: (a) Section 17(a)(2) of the Securities Act, which makes it unlawful for “any person in the offer or sale of securities . . . directly or indirectly . . . to obtain money or property by means of any untrue statement of material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading”; and (b) Section 17(a)(3) of the Securities Act, which makes it unlawful for “any person in the offer or sale of securities . . . to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.” A violation of the foregoing provisions does not require scienter and may rest on a finding of negligence. *See Aaron v. SEC*, 446 U.S. 680, 685 & 701-02 (1980).

43. Also as a result of the conduct described above, Angel Oak willfully violated, and Negandhi caused Angel Oak’s violations of, Section 206(2) of the Advisers Act, which prohibits an investment adviser, directly or indirectly, from engaging “in any transaction, practice or course of business which operates as a fraud or deceit upon any client or prospective client.” Scienter is not required to establish a violation of Section 206(2), but rather may rest upon a finding of negligence. *SEC v. Steadman*, 967 F.2d 636, 643 n.5 (D.C. Cir. 1992) (citing *SEC v. Capital Gains Research Bureau, Inc.*, 375 U.S. 180, 194-195 (1963)).

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents Angel Oak’s and Negandhi’s Offers.

Accordingly, pursuant to Section 8A of the Securities Act and Sections 203(e), 203(f) and 203(k) of the Advisers Act, it is hereby ORDERED that:

A. Respondents Angel Oak and Negandhi cease and desist from committing or causing any violations and any future violations of Section 17(a)(2) and (3) of the Securities Act and Section 206(2) of the Advisers Act.

B. Respondents Angel Oak and Negandhi are censured.

C. Respondent Angel Oak shall pay a civil money penalty in the amount of \$1.75 million to the Securities and Exchange Commission. Payment shall be made in the following installments: (1) \$525,000 within 15 days of the entry of this Order; (2) \$306,250 within 90 days

³ “Willfully,” for purposes of imposing relief under Section 203(e) or (f) of the Advisers Act, “means no more than 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.” *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965). The decision in *The Robare Group, Ltd. v. SEC*, which construed the term “willfully” for purposes of a differently structured statutory provision, does not alter that standard. 922 F.3d 468, 478-79 (D.C. Cir. 2019) (setting forth the showing required to establish that a person has “willfully omit[ted]” material information from a required disclosure in violation of Section 207 of the Advisers Act).

of the entry of this Order; (3) \$306,250 within 180 days of the entry of this Order; (4) \$306,250 within 270 days of the entry of this Order; and (5) \$306,250 within 360 days of the entry of this Order. Payments shall be applied first to post order interest, which accrues pursuant to 31 U.S.C. 3717. Prior to making the final payment set forth herein, Respondent shall contact the staff of the Commission for the amount due. If Respondent fails to make any payment by the dates agreed and/or in the amounts agreed according to the schedule set forth above, all outstanding payments under this Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

D. Respondent Negandhi shall pay a civil money penalty in the amount of \$75,000 to the Securities and Exchange Commission. Payment shall be made in the following installments: (1) \$22,500 within 15 days of the entry of this Order; (2) \$13,125 within 90 days of the entry of this Order; (3) \$13,125 within 180 days of the entry of this Order; (4) \$13,125 within 270 days of the entry of this Order; and (5) \$13,125 within 360 days of the entry of this Order. Payments shall be applied first to post order interest, which accrues pursuant to 31 U.S.C. 3717. Prior to making the final payment set forth herein, Respondent shall contact the staff of the Commission for the amount due. If Respondent fails to make any payment by the dates agreed and/or in the amounts agreed according to the schedule set forth above, all outstanding payments under this Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

Payment 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 Angel Oak and Negandhi as a Respondent 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 D. Mark Cave, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE,

Washington, DC 20549.

D. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, a Fair Fund is created for the penalties referenced in paragraph C above. 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 Respondent's 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.

V.

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 Negandhi, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Negandhi 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 Negandhi 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.

Vanessa A. Countryman
Secretary