

ADMINISTRATIVE PROCEEDING
BEFORE THE
MARYLAND SECURITIES COMMISSIONER

IN THE MATTER OF: *

Cabildo Capital, LLC, CRD # 297330 * Docket No. 2019-0012

and *

Raul Sonza, Jr., CRD # 4273419 *

Respondents *

* * * * *

CONSENT ORDER

WHEREAS, pursuant to section 11-405 of the Maryland Securities Act, Corporations and Associations Article, Title 11, Annotated Code of Maryland (2014 Repl. Vol. and 2018 Supp.) (the "Act"), Cabildo Capital, LLC ("Cabildo" or "Respondent Cabildo") and its sole principal, Raul Sonza, Jr. ("Sonza" or "Respondent Sonza"), (collectively, the "Respondents"), submitted applications to the Maryland Division of Securities (the "Division") for registration as an investment adviser and investment adviser representative, respectively; and

WHEREAS, Sonza was previously registered as an investment adviser representative for Friel Asset Management, LLC ("Friel") from January 7, 2015 until December 31, 2017, at which time Friel failed to renew its investment adviser registration or the registrations of its investment adviser representatives, including Sonza; and

WHEREAS, despite the fact that he was no longer registered as an investment adviser representative, Sonza continued providing advisory services to Friel's former advisory clients; and

WHEREAS, between January 1, 2018 and the end of April 30, 2018, Sonza provided advice to and/or executed securities transactions on behalf of at least 45 of Friel's former advisory clients; and

WHEREAS, on or about May 9, 2018, Charles Schwab ("Schwab") notified Friel's owner that Friel would no longer be permitted on Schwab's investment platform because of Friel's lack of investment adviser registration; and

WHEREAS, according to Sonza, until that time, he was unaware that Friel was no longer registered as an investment adviser and he was no longer registered as an investment adviser representative; and

WHEREAS, Sonza represents that upon learning of his lack of registration, he immediately ceased providing advisory services to clients and started the process of organizing Cabildo and filing registration applications on behalf of Cabildo and himself; and

WHEREAS, as part of the application process for Cabildo, Sonza executed and filed with the Division a Form of Undertaking representing that neither he nor Cabildo had transacted business as an investment adviser or investment adviser representative and would refrain from doing so until they were properly registered; and

WHEREAS, Cabildo's and Sonza's registrations as an investment adviser and investment adviser representative were made effective in Maryland on July 20, 2018; and

WHEREAS, subsequent to the approval of their registrations, the Division received information indicating that Respondents may have received compensation for providing advisory services to clients during a period they were not registered; and

WHEREAS, in a letter dated October 30, 2018, the Division asked Respondents to provide a list describing the types of advisory services provided to clients and the amount of compensation received from each client between January 1, 2018 and July 19, 2018; and

WHEREAS, on November 8, 2018, the Respondents provided the Division with a spreadsheet indicating that the only advisory fees received between January 1, 2018 and July 19, 2018, were the fees received by Friel for the fourth quarter of 2017; and

WHEREAS, the Division subsequently learned that, in August 2018, Cabildo and Sonza assessed, and directed Charles Schwab to deduct from client accounts, fees totaling \$45,433.81 for the advisory services provided by Sonza to Friel's former clients during the first quarter of 2018, when neither Cabildo nor Sonza were registered to provide such services; and

WHEREAS, section 11-303 of the Act makes it unlawful for a person to make or cause to be made, in any document filed with the Commissioner or in any proceeding under this title, any statement which is, at the time and in the light of the circumstances under which it is made, false or misleading in any material respect; and

WHEREAS, at the time that Respondents submitted their November 8, 2018, response to the Division, the Respondents knew that they had collected advisory fees for the first quarter of 2018, but did not disclose this material fact to the Division; and

WHEREAS, Respondents violated section 11-303 of the Act; and

WHEREAS, section 11-401(b) of the Act prohibits a person from transacting business in this State as an investment adviser or as an investment adviser representative, unless the person is registered as an investment adviser or investment adviser representative; and

WHEREAS, section 11-402(b) of the Act prohibits an investment adviser from employing or associating with an investment adviser representative unless the representative is registered; and

WHEREAS, between January 1, 2018 and April 30, 2018, Cabildo and/or Sonza transacted business as an investment adviser and subsequently received compensation for those services, in violation of section 11-401(b) of the Act; and

WHEREAS, during that same time, Cabildo employed Sonza as an unregistered investment adviser representative, in violation of section 11-402(b) of the Act; and

WHEREAS, section 11-412(a)(2) of the Act authorizes the Commissioner to deny, suspend, or revoke any registration if she finds that the Order is in the public interest and that the applicant or registrant has willfully violated or willfully failed to comply with any provisions of this title, a predecessor act, or any rule or order under this title or a predecessor act; and

WHEREAS, Respondents violated sections 11-303, 11-401(b) and 11-402(b) of the Act, and grounds exist under section 11-412(a)(2) of the Act to revoke Respondents' investment adviser and investment adviser representative registrations; and

WHEREAS, Respondents have provided the Division with evidence demonstrating that they have refunded the 2018 first quarter fees collected by them by waiving collection of an equal amount of the 2018 fourth quarter fees they earned with respect to the client accounts affected; and

WHEREAS, the Commissioner and Respondents have reached an agreement in this action whereby Respondents consent to the terms of this Consent Order; and

WHEREAS, Respondents waive their right to a hearing and any rights they may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Consent Order; and

WHEREAS, the Commissioner has determined that it is in the public interest to issue this Consent Order;

NOW THEREFORE, IT IS HEREBY ORDERED, and Respondents expressly consent, that:

1. Respondents shall permanently cease and desist from violating sections 11-303, 11-401(b) and 11-402(b) of the Act.

2. Respondents shall pay to the Division a fine in the amount of \$10,000. The fine shall be paid in installments, as follows: \$5,000 contemporaneous with the issuance of this Consent Order and two payments of \$2,500 each payable on or before April 10, 2019 and July 10, 2019. Payment of the fine shall be by check made payable to the "Office of the Attorney General."

3. Other than the collection of advisory fees described in this Order above, Respondents have not otherwise sought, and will not in any way seek, compensation related to advisory services performed by Respondents for the time period that they were not registered.

4. For a period of two (2) years from the date of this Order, any sanction of a Respondent imposed by another jurisdiction, any self-regulatory organization, any exchange, the Securities and Exchange Commission, or the Commodity Futures Trading Commission, will result in this entire matter being reviewed by the Division, including, but not limited to, those matters set forth in the disciplinary history submitted as part of a Respondent's application. In this regard, each Respondent waives reliance upon section 11-412(b) of the Act.

5. For a period of two (2) years from the date of this Order, any customer complaint involving a Respondent that is received by the Division will result in this entire matter being reviewed by the Division, including, but not limited to, those matters set forth in the disciplinary history submitted as part of a Respondent's application. In this regard, each Respondent waives reliance upon section 11-412(b) of the Act.

6. Respondents shall in all future activities in Maryland comply fully with the Act and the rules and regulations promulgated thereunder.

The terms of this Consent Order may be vacated or modified only by a subsequent order issued by the Commissioner.

DATE OF THIS ORDER:

SO ORDERED:

February 19, 2019

**Commissioner's Signature on File
w/Original Documents**

Melanie Senter Lubin
Securities Commissioner

BY CONSENT:

Raul Sonza, Jr.

On this ____ day of _____, 2019, personally appeared _____, signer of the foregoing Consent Order, who did duly acknowledge his/her signature to be his/her free act and deed.

Notary Public
My Commission Expires: _____
Seal:

Cabildo Capital, LLC

By: Raul Sonza, Jr.

_____, 2019
Date

On this ____ day of _____, 2019, personally appeared _____, signer of the foregoing Consent Order, who did duly acknowledge his/her signature to be his/her free act and deed.

Notary Public
My Commission Expires: _____
Seal: