UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 3991 / December 29, 2014

INVESTMENT COMPANY ACT OF 1940
Release No. 31402 / December 29, 2014

ADMINISTRATIVE PROCEEDING
File No. 3-16328

In the Matter of **VERO CAPITAL MANAGEMENT, LLC, ROBERT GEIGER, GEORGE BARBARESI, and STEVEN DOWNEY, CPA** **Respondents.**	**ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTIONS 203(e), 203(f), AND 203(k) OF THE INVESTMENT ADVISERS ACT OF 1940, SECTION 9(b) OF THE INVESTMENT COMPANY ACT OF 1940, AND RULE 102(e)(1) OF THE COMMISSION'S RULES OF PRACTICE**

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 203(e), 203(f), and 203(k) of the Investment Advisers Act of 1940 ("Advisers Act") and Section 9(b) of the Investment Company Act of 1940 ("Investment Company Act") against VERO Capital Management, LLC ("VERO Capital"), Robert Geiger ("Geiger), George Barbaresi ("Barbaresi"), and Steven Downey ("Downey") (collectively "Respondents") and pursuant to Rule 102(e)(1) of the Commission's Rules of Practice against Downey.

II.

After an investigation, the Division of Enforcement ("Division") alleges that:

A. SUMMARY

1. These proceedings arise out of Respondents' fraud on VERO Capital's advisory clients, the VERO Distressed ABS Opportunity Fund, B.V. ("Distressed Fund") and the VERO Distressed ABS Opportunity Master Fund, B.V. (the "Master Fund" and, collectively with the Distressed Fund, the "Funds").

2. Between late 2010 and 2011, Respondents caused the Funds to purchase three notes, worth a total of $7 million, from VERO Asset Management, LLC ("VERO Asset"), an affiliate of Vero Capital. Because the Funds were purchasing the notes from a Vero Capital affiliate, the transactions constituted principal transactions under Section 206(3) of the Advisers Act, which require written notice and consent of the client before the completion of the transaction. Respondents, however, made no efforts to provide the required notice to the Funds or obtain the required consents for the three transactions.

3. Thereafter, from 2012 to 2013, Respondents wrongfully diverted $4.4 million dollars from the Funds to VERO Capital's wholly-owned subsidiary, Gresham Risk Partners LLC ("Gresham"), by causing the Funds to make a series of undocumented, undisclosed bridge loans to Gresham. At the same time Respondents were funneling the Funds' assets to Gresham, they were telling the Distressed Fund's investors and the Funds' director that they were winding down the Funds and actively working to liquidate their remaining investments for redemption. None of the Respondents disclosed the bridge loans to the Funds or any of their investors. Instead, each of the Respondents actively sought to conceal the loans.

B. RESPONDENTS

4. **VERO Capital** is a Delaware limited liability company formed in 2003 with its principal place of business in New York, New York. It has been registered with the Commission as an investment adviser since 2008. VERO Capital is the investment manager to the Distressed Fund. VERO Capital is owned by a collection of individuals, including Respondents Geiger, Downey, and Barbaresi.[1] VERO Capital has several wholly-owned subsidiaries including Gresham.

5. **Geiger**, age 55, resides in Wainscott, New York. Geiger is a co-owner of VERO Capital, and through it, Gresham, and has served as VERO Capital's managing member since 2003. Since 2010, Geiger has served on VERO Capital's Investment Committee. Geiger is Gresham's president as well. Geiger is not currently registered with the Commission but has held Series 3, 7, and 63 licenses.

4. **Barbaresi**, age 60, resides in White Plains, New York. Barbaresi is a co-owner of VERO Capital, and through it, Gresham, and has served as VERO Capital's general counsel since December 2003. Since 2010, Barbaresi has served on VERO

[1] Geiger owns 42.30%, Barbaresi owns 11.53%, and Downey owns 5.39% of VERO Capital's equity.

Capital's Investment Committee. Barbaresi is Gresham's general counsel as well. Barbaresi is an attorney in good standing licensed to practice in New York, Connecticut, and the District of Columbia

5. **Downey**, age 57, resides in Prospect, Kentucky. Downey is a co-owner of VERO Capital, and through it, Gresham, and has served as VERO Capital's chief financial officer since August 2004. Since 2010, Downey has served on VERO Capital's Investment Committee. Downey is Gresham's chief financial officer as well. Downey has been a certified public accountant licensed to practice in Florida and Alabama, although his license is not currently active in any jurisdiction.

C. OTHER RELEVANT ENTITIES

6. **Gresham** is a Delaware limited liability company formed in 2008 with its principal place of business in New York, New York. It is a wholly-owned subsidiary of VERO Capital. Gresham's officers and its marketing materials describe the company as a risk analytics business.

7. The **Distressed Fund** is a private company with limited liability incorporated under the laws of the Netherlands in 2008. The Distressed Fund is 100% owned by Stichting VERO Distressed ABS Opportunity Fund, a foundation established under the laws of the Netherlands, and incorporated by TMF Management, B.V. ("TMF Management"), a Dutch corporate services provider. The Distressed Fund aimed to achieve returns by investing in the affiliated Master Fund, which made investments in various securities.

8. The **Master Fund** is a private company with limited liability incorporated under the laws of the Netherlands in 2007. The Master Fund is 100% owned by Stichting VERO Distressed ABS Opportunity Master Fund, a foundation established under the laws of the Netherlands, and incorporated by TMF Management. The Master Fund's stated investment objective was to maximize returns by investing in a diverse portfolio of mortgage-related structured finance securities, whole mortgage loans and other fixed-income instruments.

9. **VERO Asset** is a Delaware limited liability company formed in 2003 with its principal place of business in New York, New York. VERO Asset is a wholly-owned subsidiary of VERO Capital that made certain loans, including one to Cayden Holdings, LLC ("Cayden"), a VERO Capital affiliate, that the Funds later purchased.

10. **VERO Realty Advisors, LLC ("VERO Realty")** is a Delaware limited liability company formed in 2012 with its principal place of business in New York, New York. VERO Realty is a wholly-owned subsidiary of VERO Capital. Certain funds that VERO Capital diverted from the Funds to Gresham in 2013 were initially transferred to a bank account held in the name of VERO Realty.

11. **Cayden** is a Delaware limited liability company formed in 2007 with its principal place of business in Baltimore, Maryland. Cayden is a wholly-owned subsidiary

of VERO Asset. The Funds purchased a note from VERO Asset in November 2010 that evidenced a $3 million loan that VERO Asset had made to Cayden (the "Cayden Note"). VERO Capital ultimately diverted to Gresham money that was due to the Funds to repay the $3 million loan.

12. **TMF Management** is a Dutch private company with limited liability headquartered in Amsterdam, The Netherlands. TMF Management served as director for the Distressed Fund and the Master Fund and provided management, corporate and administrative services to the Funds, with the exception of investment management services, which VERO Capital provided.

D. FACTS

Background

13. The Distressed Fund and the Master Fund are structured in a master-feeder relationship. The Distressed Fund is the feeder fund and aimed to generate returns by investing substantially all of its cash (raised from issuing notes to investors) in notes issued by the Master Fund. The Master Fund would then use those proceeds to invest in mortgage-related finance securities and other distressed investments, as described below. Both the Distressed and Master Funds are Dutch companies each of whose shares are entirely owned by separate Dutch foundations, or "stichtings." The stichtings were incorporated by TMF Management, a Dutch corporate services provider, which serves as the director for both Funds. The stichtings are legal entities without shareholders whose object is to hold the shares of the Funds and have overall control over the Funds' management. However, the Funds, through TMF Management, delegated to Vero Capital the exclusive power and authority to manage the Funds' investments on a discretionary basis.

14. VERO Capital marketed the Distressed Fund to three foreign investors in 2008, raising approximately $80 million by selling them participating notes issued by the Fund, with the vast majority coming from two of the three investors. According to the Distressed Fund's private placement memorandum ("PPM"), its principal investment objective was to achieve returns by investing through the Master Fund in a diverse portfolio of mortgage-related finance securities, whole mortgage loans and other fixed income instruments, including rated or unrated and performing or distressed securities issued by issuers of collateralized debt obligations, and special situation investments. The Distressed Fund could invest in a broad array of assets, but the Distressed Fund's PPM stated that "[i]t is intended that the portfolio will consist of approximately 80% U.S. RMBS Securities and there will be no . . . corporate credit risk." The Distressed Fund's two biggest investors understood that the Fund's primary purpose was to invest in mortgage-backed securities.

15. With respect to transactions involving affiliates of VERO Capital, the PPM stated that VERO Capital may purchase loans originated or syndicated by any affiliate of VERO Capital or otherwise engage in affiliated transactions on behalf of the Fund. However, to do so, VERO Capital was required to obtain the prior written consent of a

committee comprised of VERO Capital's investment professionals (the "Investment Committee"). At all times relevant to this action, Geiger, Barbaresi, and Downey were members of the Investment Committee. No person independent of VERO Capital served on the Investment Committee.

Purchase of the Cayden Note

16. After their inception, the Funds invested primarily in residential and then commercial mortgage-backed securities ("RMBS" and "CMBS"). They undertook other investments as well. Specifically, in November 2010, the Investment Committee, on which Geiger, Downey, and Barbaresi sat, approved a transaction in which the Distressed Fund was to purchase the $3 million Cayden Note from VERO Asset.[2] Under the terms of the Cayden Note, VERO Asset loaned $3 million to another VERO Capital affiliate, Cayden. The Cayden Note paid 15% interest per annum due in monthly installments, with the entire principal due on December 1, 2013. The interest rate increased to 19% per annum in the event of a default. The Cayden Note also provided that its holder could accelerate the payment of the Note's principal in the event of a default.

17. Although this affiliated investment was documented by a written authorization by the Investment Committee, no one at VERO Capital prepared any other documentation concerning the transaction. The investment was not disclosed prior to its completion to TMF Management or to any Distressed Fund investor; nor was consent for the investment obtained from any party outside VERO Capital.

18. The consent authorizing the purchase of the Cayden Note made clear that the purpose for the loan was for Cayden to make certain trades involving Government National Mortgage Association ("GNMA") mortgage-backed securities. Cayden's business plan was to enter into agreements to fund Federal Housing Administration backed fixed-rate construction loan commitments. Draws funded under the loan commitments were guaranteed as to the principal by GNMA, and therefore once the loans were made, they were securitized and Cayden sold the GNMA securities into the aftermarket (the "GNMA trading strategy"). The GNMA trading strategy generated profits for Cayden through 2011 and 2012.

19. VERO Capital disclosed the Master Fund's purchase of the Cayden Note and Cayden's GNMA trading strategy in the notes to the Master Fund's year-end 2010 audited financial statements, which were sent to the Distressed Fund's investors in April 2011. Cayden made interest payments on the Cayden Note to the Master Fund until February 2013 at which point Cayden defaulted. Although Cayden's failure to pay interest

[2] In fact, the Master Fund purchased the Cayden Note according to the 2010 audited financial statements. The PPM disclosed that the Distressed Fund and the Master Fund would be treated interchangeably: "Unless specified otherwise, references herein to the Fund's investments and investment program include references to the Master Fund's investments and investment program, to the extent that the Fund invests through the Master Fund." Geiger, Downey and Barbaresi made little effort to distinguish among them.

when due permitted the Master Fund to accelerate the maturity of the Cayden Note, VERO Capital made no effort to collect on the Cayden Note on the Funds' behalf, as described below.

Purchase of the Envo and Tallas Notes

20. In December 2011, the Investment Committee approved the Distressed Fund's purchase of two additional promissory notes from VERO Asset.[3] Under the terms of the notes, VERO Asset loaned $2 million each to two unaffiliated issuers, Envo Properties, LLC ("Envo") and Tallas Properties, LLC ("Tallas"). The loans' purpose was for Envo and Tallas to make real-estate related investments. The notes (hereinafter the "Envo and Tallas Notes") paid 12% interest per annum. The Envo and Tallas Notes were guaranteed by an individual and were due to mature January 31, 2013.

21. On December 12, 2011, approximately one week after VERO Asset originated the Envo and Tallas Notes and the Master Fund purchased them, the Commission charged the guarantor and others with operating a Ponzi scheme. *See SEC v. Management Solutions, Inc.*, No. 2:11-cv-01165-BSJ (D. Utah). Simultaneously with the filing of its lawsuit, the Commission obtained a court order freezing the guarantor's assets and the assets of entities under his control, including Envo and Tallas. Like the purchase of the Cayden Note, the Investment Committee approved the purchase of the Envo and Tallas Notes, but no one at Vero Capital prepared any other formal documentation concerning the transaction. The investments were not disclosed prior to their being completed to TMF Management or to any Distressed Fund investor; nor was consent for the investments obtained from any party outside Vero Capital.

22. In early 2012, Barbaresi and Downey took steps to recoup the principal on the Envo and Tallas Notes. As a result of those efforts, in July 2012, VERO Capital recouped approximately $2.1 million of the principal on the Envo and Tallas Notes. Of this amount, VERO Capital returned $1.5 million to the Master Fund in September 2012. As described further below, VERO Capital diverted the remaining approximately $600,000 to Gresham.

23. VERO Capital disclosed the purchase of the Envo and Tallas Notes in the notes to the Funds' audited financial statements for year-end 2011. In addition, in April 2012, VERO Capital sent a letter to the Distressed Fund's investors, enclosing the audited 2011 financial statements for the Funds, that described the situation with the Envo and Tallas Notes. In the letter, VERO Capital stated that it was placing the Envo and Tallas loans on "non-accrual status" and "after much deliberation" was adjusting the fair value of the notes to approximately $1.8 million for each note to "reflect a liquidity discount."

[3] As was true with the purchase of the Cayden Note, the 2011 audited financial statements indicate that it was the Master Fund, not the Distressed Fund, that purchased the Envo and Tallas Notes.

Respondents Communicate that the Funds Are Winding Down and Investors Will Be Redeemed

24. By the fall of 2011, VERO Capital began returning principal to the Distressed Fund's investors. In a June 2012 email, a representative of one of the investors sought information from Geiger about the timing of the wind down and return of investment: "My understanding was the [sic] VERO should have been redeemed in full by now. As it's not, do you have a liquidity schedule for the remaining part?" Geiger responded that VERO Capital had been returning principal "since last Fall" and that VERO Capital was "seeking to make three more distributions before the end of the year, returning the remainder by year end, with a potential tail in January" 2013. After the same investor representative asked for an update at the beginning of September 2012, Downey drafted an email response ultimately sent by Barbaresi stating that VERO Capital remained committed to making another distribution in October 2012. Barbaresi added: "As we continue to sell assets and raise cash, we will be able to obtain greater clarity around the liquidity in the market. We should know by early December if the third distribution will be in December or later as we continue to gain clarity and finish the wind up of the fund."

25. In 2013, the Distressed Fund's two major investors continued to ask about the status of the Fund's wind-down and the return of their principal. For example, in April 2013, a representative of one of these investors asked for another update on the Distressed Fund's wind-down, noting that "[b]ack in Jun/12 the fund was estimated to be fully distributed before end of 2012, with a potential tail into Jan/13." Barbaresi responded later in the month: "We have been actively liquidating the fund's assets and the remaining assets are very illiquid. . . . We hope to have the remaining assets sold by the second half of the year and will keep you updated on ongoing asset sales and distributions." Subsequently, in May, Barbaresi told another investor representative that "[w]e really can't accurately predict when the final liquidation of the fund will occur, as we discussed, we are looking at options to put the last of the illiquid assets into a structure that will not incur administrative fees."

26. In June 2013, Downey, in response to questions by TMF Management about when it could expect the Funds' 2012 audit reports, notified TMF Management that Vero Capital had begun to wind down the Fund, and that no audit had therefore been necessary for 2012. Prior to that time, none of the Respondents notified TMF Management of VERO Capital's intentions to liquidate the Funds, and the only notice TMF Management received of the Funds' return of principal to investors was a line item in the 2011 audited financial statements that TMF Management received some time in or after April 2012.

The Undisclosed Loans from the Funds to Finance Gresham

27. Beginning in at least 2008, while it was serving as investment manager to the Funds, VERO Capital was also developing a risk management business or financial services technology company called Gresham. Gresham's business plan was to provide large financial institutions with a platform to assist them with modeling the valuation of various pieces of their portfolios in different economic scenarios. VERO Capital anticipated that the demand for this type of service would increase following the financial

crisis in 2008 and the passage of the Dodd-Frank Act, with its requirements that large financial institutions perform "stress tests" on their portfolios.

28. Gresham has been and continues to be a wholly-owned affiliate of VERO Capital. Because they are co-owners of VERO Capital, Geiger, Barbaresi, and Downey are also co-owners of Gresham. In approximately 2010, Downey began treating Gresham as a separate entity for accounting purposes, booking revenues and expenses of Gresham separately from VERO Capital. Beginning in 2010, most VERO Capital employees became employees of Gresham. By October 2013, Gresham had generated little more than $525,000 in total revenues since its inception in 2008.

29. Beginning in December 2012 and continuing through October 2013, when Commission examination staff commenced an examination of VERO Capital, Geiger, Barbaresi, and Downey, through VERO Capital, misappropriated $4.4 million in assets of the Funds for purposes of financing Gresham's operations. While informing the Distressed Fund's investors that the Funds were being wound down, Geiger, Barbaresi, and Downey at the same time diverted $4.4 million from the Funds through purported "bridge loans" to Gresham. These loans were never documented, nor were any of them disclosed to the Funds or their investors until well after the Division had commenced its investigation. In making the bridge loans to Gresham, Geiger, Barbaresi, and Downey did not follow the procedures for affiliated transactions set forth in the PPM. Nor were any of the bridge loans to Gresham reduced to writing; instead, Downey testified that he simply recorded the loans in the Master Fund's general ledger.

30. VERO Capital accomplished the transfers from the Funds to Gresham in multiple transactions. First, as the money invested through the Cayden Note in the GNMA trades was returned to Cayden as those trades were closed out throughout 2012, Geiger, Downey, and Barbaresi used that money, ultimately totaling $3 million, to benefit Gresham, rather than returning it to the Funds. Consequently, when the Cayden Note came due on December 1, 2013, Cayden had no money with which it could repay the principal due to the Funds. Downey arranged the transfer of the $3 million over time from accounts associated with Cayden to accounts associated with Vero Capital or Gresham, for Gresham's benefit. None of the Respondents prepared any documentation concerning the transfers to indicate whether they were loans or investments by Cayden in Gresham.

31. Second, in July 2012, VERO Capital secured the return of $2.1 million of the Envo and Tallas Notes' principal. While VERO Capital transferred $1.5 million of that amount back to the Funds, Geiger, Barbaresi, and Downey used the remaining $600,000 for the benefit of Gresham from December 2012 through February 2013. As VERO Capital and Gresham's CFO, Downey was primarily responsible for disbursing money on their behalf. Geiger and Barbaresi knew, or were reckless in not knowing, that Downey was using returned Envo and Tallas Note principal to benefit Gresham.

32. Finally, in August and September 2013, as Gresham's bank account was nearly depleted, and after VERO Capital had notified TMF Management that the Funds were being liquidated, Downey orchestrated two transfers, of $500,000 and $300,000, respectively, from the Master Fund's custodial bank account for the benefit of Gresham.

Downey directed the August and September 2013 transfers from the Master Fund's account at U.S. Bank to VERO Realty, another VERO Capital affiliate.

33. Because U.S. Bank also served as the Funds' administrator and therefore maintained their books and records, Downey had to provide a reason to U.S. Bank for the two disbursements so that U.S. Bank could document what the money was being used for.

34. In an August 1, 2013 email to U.S. Bank, Downey, copying Barbaresi, falsely advised the bank that VERO Capital (through its affiliate, VERO Realty) would invest the $500,000 that he requested in a property related to the Master Fund's Tallas Note in order to recoup additional principal on the Tallas Note. Downey and Barbaresi knew or were reckless in not knowing that the $500,000 would not be used to invest in a property related to the Tallas Note, but would instead be diverted to pay VERO Capital's and Gresham's expenses. Downey's email stated:

> "The loans that the [F]und made to Tallas were invested by Tallas in two properties in various entities. One of those properties is an apartment complex in Birmingham that we have been in discussions with the owner of to best determine how to get the [F]unds' loans paid back totaling $700,000 plus interest. The property was originally acquired as a rehab project, meaning all the units had to be renovated. While we had previously refused requests to fund this, we now have no choice to [sic] but to fund the buildout in order to recapture the existing loans. We will need to invest about $500,000 in the property and establish a blocker corporation between the [F]und and the ultimate apartment entity. This rehab will be overseen by [VERO Realty] (for no fee). [VERO Realty] will be making the investment on behalf of the blocker corporation for the benefit of the [F]und. . . . Please wire $500,000 to [VERO Realty] account in order to facilitate this transaction . . ."

35. The same day, U.S. Bank wired $500,000 to the VERO Realty account. Immediately thereafter, also on August 1, Downey transferred $80,000 of the $500,000 from the VERO Realty account to a VERO Capital account and used the money to pay for Gresham expenses. On August 2, Downey made two transfers of $50,000 and $20,000 from the VERO Realty account to the VERO Capital account, and then subsequently transferred that money to a Gresham account.

36. By September 12, 2013, Downey had transferred all of the $500,000 from the VERO Realty account for the benefit of Gresham. None of the $500,000 was used for the purposes Downey claimed in his August 1, 2013 email to U.S. Bank. Geiger knew, or was reckless in not knowing, that Downey and Barbaresi obtained the $500,000 from the Master Fund's account and used the money for Gresham.

37. Again, on September 26, 2013, Downey emailed U.S. Bank, this time copying Barbaresi and Geiger, requesting another transfer to VERO Realty for expenses related to the Tallas properties, again ostensibly for the purposes of recouping additional principal related to the Tallas Note. As part of his September 26, 2013 email, Downey forwarded the previous request for $500,000 that he made on August 1. Downey, Barbaresi, and Geiger knew, or were reckless in not knowing, that the September 26, 2013 transfer from the Master Fund account would not be used for expenses related to the Tallas properties.

38. U.S. Bank wired $300,000 to the VERO Realty account on September 26, and Downey began drawing down the account the next day. By October 23, 2013, Downey had used the entirety of the $300,000 for the benefit of Gresham; none went to any expenses related to the Tallas properties.

39. The $500,000 and $300,000 transferred from the Master Fund account on August 1, 2013 and September 26, 2013, respectively, were not approved or documented by the Fund's Investment Committee. Neither Downey, Barbaresi nor Geiger ever advised TMF Management, U.S. Bank, or Distressed Fund investors that the Master Fund's money had actually been used for the benefit of Gresham until after the commencement of the Division's investigation.

Respondents' Efforts to Hide the Misappropriations

40. The Respondents took several steps to cover up the transfers from the Funds to Gresham. The Funds' "bridge loans" to Gresham were not timely disclosed to the Distressed Fund's investors or TMF Management. During the period when the Funds' assets were being used to finance Gresham, Downey, Geiger and Barbaresi each prepared and/or reviewed periodic (monthly, then quarterly) newsletters to the Distressed Fund's investors in which the nature and amount of the Fund's investments were purportedly described to them. In not one of those newsletters did Downey, Geiger, or Barbaresi disclose the existence of the transfers to Gresham, despite the fact that each of them knew of and had approved the loans. None of the loans to Gresham was properly documented in any of either Fund's books and records. Downey merely directed that they be recorded as entries in VERO Capital's general ledger. At no time did Barbaresi or anyone else prepare any promissory note or other document evidencing Gresham's debt to the Funds as a result of the $4.4 million in ostensible loans that the Funds provided.

41. Cayden first defaulted on interest payments due to the Funds under the Cayden Note in February 2013. Cayden defaulted on the interest payments even though Cayden's original investment strategy, the GNMA trading strategy, had been profitable. When Cayden stopped paying interest, under the terms of the Cayden Note, the Funds could have called the loan and accelerated the due date for the return of the principal (which was December 1, 2013). Neither Geiger, Barbaresi, nor Downey, nor anyone else at VERO Capital, took any action to call the loan on the Funds' behalf.

42. In addition, Downey, who was responsible for valuation of certain of the Funds' assets, did not mark down the value of the Cayden Note on either Fund's balance

sheet after Cayden defaulted on its interest payments on the Note. This stood in sharp contrast to his decision to mark down the Envo and Tallas Notes in April 2012. Nor did Downey or anyone else at VERO Capital inform U.S. Bank, the Funds' administrator, that Cayden had defaulted on the Cayden Note until December 2013. As a result of Downey's failure to mark down the value of the Cayden Note, the Funds' assets under management were overstated and their losses understated in quarterly investor statements issued in March 2013 and later. In addition, the management fees assessed to the Distressed Fund's investors were based on an inflated Net Asset Valuation, and thus investors were overcharged.

Geiger, Barbaresi, and Downey Benefit from the Misappropriations

43. Geiger, Barbaresi, and Downey directly benefited from the misappropriations from the Funds. For example, from August to October 2013, when the $800,000 from the Master Fund account was the primary source of money for VERO Capital, Downey paid himself more than $125,000 in purported salary and expenses, purportedly earned as a result of work he had performed for Gresham. Downey also directed $48,000 to Geiger or to pay bills on his behalf, and wired another $40,000 to Barbaresi, all also representing purported compensation or reimbursement due from Gresham.

44. In addition, Gresham is a wholly-owned subsidiary of VERO Capital, which is co-owned by Geiger, Barbaresi, and Downey, among others. The misappropriations from the Funds to finance Gresham's ongoing development and operations in 2012 and 2013 thus inured to the benefit of Geiger, Barbaresi, and Downey, as they stood to gain from any profits that Gresham ultimately generated.

VERO Capital Failed to Comply with the Custody Rule in 2012 and 2013

45. As investment adviser to the Funds, VERO Capital held custody of Fund assets because it was authorized or permitted to withdraw money from the Master Fund's custodial account. Because VERO Capital had custody of client assets, Advisers Act Rule 206(4)-2 required VERO Capital to, among other things, provide notice to investors in the Funds upon opening the account with U.S. Bank on their behalf, establish a reasonable belief upon due inquiry that U.S. Bank was delivering account statements to investors in the Fund at least quarterly, and undergo an annual surprise examination by an independent public accountant. Alternatively, VERO Capital could have had the Funds audited annually by an independent public accountant that was registered with and subject to regular inspection by the Public Company Accounting Oversight Board and distribute audited financial statements prepared in accordance with Generally Accepted Accounting Principles to the investors in the Funds within 120 days of the Funds fiscal year end. VERO Capital did neither in 2012 and 2013.

E. VIOLATIONS

46. As a result of the conduct described above, VERO Capital, Geiger, Barbaresi, and Downey willfully violated Sections 206(1), 206(2), and 206(4) of the Advisers Act and Rule 206(4)-8 promulgated thereunder, which prohibit fraudulent conduct by an investment adviser.

47. As a result of the conduct described above, VERO Capital willfully violated Section 206(3) of the Advisers Act, which prohibits an investment adviser from, directly or indirectly, "acting as principal for his own account, knowingly to sell any security or to purchase any security from a client . . . without disclosing to such client in writing before the completion of such transaction the capacity in which he is acting and obtaining the consent of the client to such transaction."

48. As a result of the conduct described above, VERO Capital willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-2 promulgated thereunder, which requires that an investment adviser maintain each client's funds in bank accounts containing only those client funds, notify its clients about the place and manner in which their funds are maintained, and have client funds and securities verified by an independent public accountant at least once a year without prior notice to the investment adviser.

49. As a result of the conduct described above, VERO Capital willfully violated, and Geiger, Barbaresi, and Downey willfully aided and abetted and caused VERO Capital's violations of Sections 206(1), 206(2), and 206(4) of the Advisers Act and Rule 206(4)-8 promulgated thereunder, which prohibit fraudulent conduct by an investment adviser, Section 206(3) of the Advisers Act, which prohibits an investment adviser from, directly or indirectly, "acting as principal for his own account, knowingly to sell any security or to purchase any security from a client . . . without disclosing to such client in writing before the completion of such transaction the capacity in which he is acting and obtaining the consent of the client to such transaction," and Rule 206(4)-2 promulgated thereunder, which requires that an investment adviser maintain each client's funds in bank accounts containing only those client funds, notify its clients about the place and manner in which their funds are maintained, and have client funds and securities verified by an independent public accountant at least once a year without prior notice to the investment adviser.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative and cease-and-desist proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondents an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Vero Capital pursuant to Section 203(e) of the Advisers Act including, but not limited to, disgorgement and civil penalties pursuant to Section 203 of the Advisers Act;

C. What, if any, remedial action is appropriate in the public interest against Geiger, Barbaresi, and Downey pursuant to Section 203(f) of the Advisers Act including, but not limited to, disgorgement and civil penalties pursuant to Section 203 of the Advisers Act;

D. What, if any, remedial action is appropriate in the public interest against Respondents pursuant to Section 9(b) of the Investment Company Act including, but not limited to, disgorgement and civil penalties pursuant to Section 9 of the Investment Company Act;

E. What, if any, remedial action is appropriate in the public interest against Downey pursuant to Rule 102(e)(1) of the Rules of Practice; and

F. Whether, pursuant to Section 203(k) of the Advisers Act, Respondents should be ordered to cease and desist from committing or causing violations of and any future violations of Sections 206(1), 206(2), 206(3), and 206(4) of the Advisers Act and Rules 206(4)-8 and 206(4)-2 promulgated thereunder, whether Respondents should be ordered to pay a civil penalty pursuant to Section 203(i) of the Advisers Act, and whether Respondents should be ordered to pay disgorgement pursuant to Section 203 of the Advisers Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened not earlier than 30 days and not later than 60 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.

IT IS FURTHER ORDERED that Respondents shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If any Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondents personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

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.

By the Commission.

Brent J. Fields
Secretary