

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 4016 / February 4, 2015

ADMINISTRATIVE PROCEEDING
File No. 3-16370

In the Matter of

Brenda L. Ridley,

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS,
PURSUANT TO SECTIONS 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 Sections 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”), against Brenda L. Ridley (“Ridley” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) 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, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 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 Respondent’s Offer, the Commission finds¹ that:

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Summary

This proceeding arises out of improper registration and material misstatements and omissions made in Forms ADV by Arete, Ltd., an investment adviser registered with the Commission. Since November 2012, Arete falsely represented that its principal office and place of business was in Wyoming, a state that does not regulate investment advisers, to ensure the firm's Commission registration in light of new rules that went into effect restricting such registration to advisers with more assets under management. Arete also failed to disclose a disciplinary proceeding concerning its chief compliance officer.

Respondent

1. Brenda L. Ridley, age 51, is a resident of Bakersfield, California, and has been the sole employee and chief compliance officer of Arete Ltd., a registered investment adviser, since November 2012.

Other Relevant Entity

2. Arete Ltd., d/b/a Sky Peak Capital Management ("Arete"), is a Wyoming limited liability company, and filed its initial Form ADV with the Commission in November 2012. Arete's principal office and place of business is in Irvine, California.

Background

3. In 2011, the Advisers Act was amended to increase the threshold for an investment adviser's assets under management required for registration with the Commission effective March 2012.² Registration with the Commission was still required, however, for advisers not regulated by the states where they maintained their principal offices and places of business. Currently, Wyoming is the only state that does not regulate investment advisers. So any investment adviser with a principal office and place of business in Wyoming, regardless of its assets under management, is required to register with the Commission.

4. Rule 222-1(b) under the Advisers Act states that the principal office and place of business of an investment adviser means the executive office of the investment adviser from which the officers, partners, or managers of the investment adviser direct, control, and coordinate the activities of the investment adviser.

² Previously, Section 203A of the Advisers Act prohibited investment advisers from registering with the Commission unless they managed at least \$25 million in assets or met a designated exemption. Effective July 21, 2011, Section 203A increased the minimum amount of assets under management for most advisers to qualify for SEC registration from \$25 million to \$100 million. *See* Advisers Act Section 203A(a)(2) amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376 (2010); *Final Rule; Rules Implementing Amendments to the Investment Advisers Act of 1940*, Investment Advisers Act Release No. 3221 (June 22, 2011).

5. In September 2012, the initial owner of Arete formed the company as a for profit corporation in Wyoming. On November 27, 2012, Arete made its initial registration filing with the Commission on Form ADV. In Part 1A, Items 1F and 2A of the Form ADV, Arete claimed its principal office and place of business was in Cheyenne, Wyoming, and based its registration with the Commission on its Wyoming location. Arete made the same representations about its principal office and place of business and basis for registration in its amendments to Form ADV filed on July 26, 2013, August 2, 2013, and October 2, 2013. Arete stopped conducting business in late 2013 and has not made any filings with the Commission since then.

6. No officer, partner, or manager of Arete directed, controlled, or coordinated the activities of Arete from Wyoming and Arete did not conduct any investment advisory business out of Wyoming. Arete's operations were conducted out of California. Because Arete did not have a principal office or place of business in Wyoming and had no other basis for Commission registration, it was prohibited from registering with the Commission as an investment adviser.

7. Ridley prepared, filed, and signed the October 2, 2013, amendment to Arete's Form ADV as chief compliance officer. That filing had the same misstatements as prior filings with the Commission regarding Arete's principal office and principal place of business and its Wyoming location being the basis for Arete's eligibility to register with the Commission.

8. On February 28, 2013, the Securities Commissioner for the State of Colorado filed a complaint against Ridley, among others, for carrying out a scheme to defraud investors through the use of investments in a so-called "private equity fund." Ridley was charged with violating Section 11-51-301, C.R.S., for the offer or sale of unregistered securities; Section 11-51-401, C.R.S., for acting as an unlicensed sales representative; and Section 11-51-501(1), C.R.S., for securities fraud. On December 9, 2013, Ridley entered into a stipulation, on a neither admit nor deny basis, for an order of permanent injunction and other relief in connection with that case. On December 30, 2013, an order was entered granting the permanent injunction and other relief based on the alleged violations in the complaint.

9. Arete did not amend its Form ADV to disclose in Part 1A, Item 11 the complaint filed against Ridley, nor did it disclose in Part 2A, Item 9 the December 30, 2013 order entered against Ridley. Since October 2, 2013 Ridley was responsible for filing Arete's Forms ADV and any necessary amendments thereto.

Violations

10. As a result of the conduct described above, Ridley willfully³ aided and abetted and caused Arete's violations of Section 203A of the Advisers Act by Arete improperly registering with the Commission based on its false representation that Arete's principal office and place of business was in Wyoming.

³ 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)).

11. As a result of the conduct described above, Ridley willfully violated Section 207 of the Advisers Act which makes it “unlawful for any person willfully to make any untrue statement of a material fact in any registration application or report filed with the Commission . . . or willfully to omit to state in any such application or report any material fact which is required to be stated therein.” Ridley filed Arete’s October 2013 Form ADV falsely stating that Arete’s principal office and place of business was in Wyoming.

12. As a result of the conduct described above, Ridley willfully aided and abetted and caused Arete’s violations of Section 204(a) of the Advisers Act and Rules 204-1(a)(1) and (2) thereunder, which requires that investment advisers amend Forms ADV at least annually and more frequently if required by the instructions to Form ADV. The Form ADV instructions require that amendments to the Form ADV be filed promptly if information provided in response to Part 1A, Item 11 or Part 2A become materially inaccurate. Ridley failed to file any amendments to Arete’s Forms ADV Part 1A disclosing the complaint filed against her by the Colorado Securities Commissioner, or any amendments to its Form ADV Part 2A disclosing the order entered against her by the Colorado district court.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent’s Offer.

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

A. Respondent cease and desist from committing or causing any violations and any future violations of Sections 203A, 204(a), and 207 of the Advisers Act and Rules 204-1(a)(1) and (2) thereunder.

B. Respondent be, and hereby is barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.

C. Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the

conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Brent J. Fields
Secretary