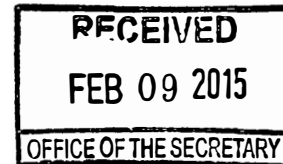


HARD COPY

**UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION**

**ADMINISTRATIVE PROCEEDING
File No. 3-16328**



In the Matter of

**VERO CAPITAL MANAGEMENT, LLC,
ROBERT GEIGER, GEORGE BARBARESI,
and STEVEN DOWNEY, CPA,**

Respondents.

**RESPONDENTS' ANSWER TO
THE ORDER INSTITUTING
ADMINISTRATIVE AND
CEASE-AND-DESIST
PROCEEDINGS**

Respondents VERO Capital Management, LLC (“VERO Capital”), Robert Geiger, George Barbaresi, and Steven Downey (together, the “Principals”) (all together, “VERO” or “Respondents”), by their attorneys, Morvillo LLP, as and for their Answer to the Order Instituting Administrative and Cease-and-Desist Proceedings (the “OIP”) issued by the Securities and Exchange Commission (the “Commission”) on December 29, 2014 (the “Order”), respond and state as follows:

I.

No response is required with respect to the opening paragraph as it merely lists the names of Respondents and the provisions of the Investment Advisers Act of 1940 (“Advisers Act”), the Investment Company Act of 1940 (“Investment Company Act”), and the Commission’s Rules of Practice pursuant to which the Commission issued the Order.

II.

A. SUMMARY

1. VERO denies the allegations contained in Paragraph 1.
2. VERO denies the allegations contained in Paragraph 2, except that VERO admits that “[b]etween 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.”
3. VERO denies the allegations contained in Paragraph 3.

B. RESPONDENTS

4. VERO denies the allegations contained in Paragraph 4 and Footnote 1, except admits that VERO Capital is a Delaware limited liability company formed in 2003 with its principal place of business in New York, New York; that it has been registered with the Commission as an investment advisor since 2008; and that it is the investment manager to the Distressed Fund.

5. VERO denies the allegations contained in Paragraph 5, except admits that Robert Geiger is 55 years old, resides in Wainscott, New York, and previously held Series 3, 7, and 63 licenses.

6. VERO denies the allegations contained in Paragraph 6 (misabeled as Paragraph 4), except admits that George Barbaresi is 60 years old and that he has served as VERO Capital's general counsel since December 2003.

7. VERO denies the allegations contained in Paragraph 7 (misabeled as Paragraph 5), except admits that Downey is 57 years old, resides in Prospect, Kentucky, has served as VERO Capital's chief financial officer since August 2004, and was previously licensed as a certified public accountant in Florida and Alabama.

C. OTHER RELEVANT ENTITIES

8. VERO admits the allegations contained in Paragraph 8 (misabeled as Paragraph 6), except denies that Gresham is currently a wholly-owned subsidiary of VERO Capital.

9. VERO admits the allegations contained in Paragraph 9 (misabeled as Paragraph 7).

10. VERO denies the allegations contained in Paragraph 10 (misabeled as Paragraph 8), except that VERO admits that the Master Fund is a private company with limited liability incorporated in 2007 under the laws of the Netherlands and that 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.

11. VERO admits the allegations contained in Paragraph 11 (misabeled as Paragraph 9), except denies that VERO Asset is currently a wholly-owned subsidiary of VERO Capital.

12. VERO denies the allegations contained in Paragraph 12 (misabeled as Paragraph 10), except admits that 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.

13. VERO denies the allegations contained in Paragraph 13 (misabeled as Paragraph 11), except admits that Cayden is a wholly-owned subsidiary of VERO Asset and that 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").

14. VERO denies knowledge or information and is unable to obtain information sufficient to form a belief regarding the corporate structure of TMF Management described in Paragraph 14 (misabeled as Paragraph 12), except that VERO admits that TMF Management served as director for the Funds and provided management, corporate, and administrative services to the Funds, with the exception of investment management services, which VERO Capital provided.

D. FACTS

Background

15. VERO admits the allegations contained in Paragraph 15 (misabeled as Paragraph 13).

16. VERO denies the allegations contained in Paragraph 16 (misabeled as Paragraph 14), except VERO denies knowledge or information sufficient to form a belief regarding the Distressed Fund's two biggest investors' respective understandings concerning the Fund's primary investment purpose. To the extent that Paragraph 16 purports to recite language from the Distressed Fund's PPM, VERO admits that the language recited therein is stated in the PPM, but denies that the excerpt provided is complete or that it accurately represents the scope of the Distressed Fund's permitted investments.

17. VERO denies the accuracy of the characterization of the PPM's language regarding affiliate transactions purportedly set forth in Paragraph 17 (misabeled as Paragraph 15), but admits that the Funds were permitted to engage in transactions with VERO Capital affiliates and that such transactions required the written consent of an Investment Committee. VERO further admits that Geiger, Barbaresi, and Downey were members of the Investment Committee and that no person independent of VERO Capital served on the Investment Committee.

Purchase of the Cayden Note

18. VERO admits the allegations contained in Paragraph 18 (misabeled as Paragraph 16), but denies the allegations contained in Footnote 2 except to admit that the PPM contains the language set forth therein and that the 2010 audited financials disclosed that the Master Fund purchased the Cayden Note.

19. VERO denies the allegations contained in Paragraph 19 (misabeled as Paragraph 17), except VERO admits that the Cayden Note purchase was not disclosed to TMF Management or to any Distressed Fund investor prior to its completion and that no consent was obtained from any party outside VERO Capital because none of these actions were required.

20. VERO denies the allegations contained in Paragraph 20 (misabeled as Paragraph 18), except that VERO admits that the GNMA trading strategy generated profits for Cayden.

21. VERO denies the allegations contained in Paragraph 21 (misabeled as Paragraph 19), except VERO admits that 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, and that Cayden made interest payments on the Cayden Note to the Master Fund until February 2013 at which point Cayden defaulted.

Purchase of the Envo and Tallas Notes

22. VERO admits the allegations contained in Paragraph 22 (misabeled as Paragraph 20).

23. VERO denies the allegation contained in Paragraph 23 (misabeled as Paragraph 21) to the extent it states that no formal documentation was prepared concerning the Envo and Tallas Notes, but VERO otherwise admits that "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." VERO further admits that the Envo and Tallas 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, because such actions were not required.

24. VERO denies the allegations contained in Paragraph 24 (misabeled as Paragraph 22).

25. VERO admits the allegations contained in Paragraph 25 (misabeled as Paragraph 23).

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

26. VERO denies the allegations contained in Paragraph 26 (misabeled as Paragraph 24), except VERO admits that the excerpts of the communications set forth therein are correctly stated but do not otherwise provide a complete or accurate interpretation thereof.

27. VERO denies the allegations contained in Paragraph 27 (misabeled as Paragraph 25), except VERO admits that the excerpts of the communications set forth therein are correctly stated but do not otherwise provide a complete or accurate interpretation thereof.

28. VERO denies the allegations contained in Paragraph 28 (misabeled as Paragraph 26).

The Undisclosed Loans from the Funds to Finance Gresham

29. VERO admits the allegations contained in Paragraph 29 (misabeled as Paragraph 27).

30. VERO denies the allegations contained in Paragraph 30 (misabeled as Paragraph 28).

31. VERO denies the allegations contained in Paragraph 31 (misabeled as Paragraph 29).

32. VERO denies the allegations contained in Paragraph 32 (misabeled as Paragraph 30).

33. VERO denies the allegations contained in Paragraph 33 (misabeled as Paragraph 31), except that VERO admits that VERO Capital secured the return of \$2.1 million of the Envo and Tallas Notes' principal in or about July 2012.

34. VERO denies the allegations contained in Paragraph 34 (misabeled as Paragraph 32).

35. VERO denies the allegations contained in Paragraph 35 (misabeled as Paragraph 33).

36. VERO denies the allegations contained in Paragraph 36 (misabeled as Paragraph 34), except to admit that the allegations purport to set forth an excerpt of an August 1, 2013 email from Downey.

37. VERO denies the allegations contained in Paragraph 37 (misabeled as Paragraph 35) to the extent they characterize the transactions alleged therein as "transfers" used for "expenses," but VERO otherwise admits that U.S. Bank wired \$500,000 to the VERO Realty account on August 1, 2013 and that VERO subsequently made a series of interest-earning bridge loans to Gresham in the amounts of \$80,000 on August 1, 2013, and \$50,000 and \$20,000 on August 2, 2013.

38. VERO denies the allegations contained in Paragraph 38 (misabeled as Paragraph 36) to the extent they characterize the transactions alleged therein as "transfers" that were "used" for the "benefit of Gresham," but VERO otherwise admits that the entirety of the \$500,000 transferred to the VERO Realty account on August 1, 2013 was loaned to Gresham.

39. VERO denies the allegations contained in Paragraph 39 (misabeled as Paragraph 37) to the extent they claim that Respondents "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."

40. VERO denies the allegations contained in Paragraph 40 (misabeled as Paragraph 38), except admits that U.S. Bank wired \$300,000 to the VERO Realty account on September 26, 2013 and admits that none of these funds ultimately went to any expenses related to the Tallas properties.

41. VERO denies the allegations contained in Paragraph 41 (misabeled as Paragraph 39).

Respondents' Efforts to Hide the Misappropriations

40). 42. VERO denies the allegations contained in Paragraph 42 (misabeled as Paragraph

41). 43. VERO admits the allegations contained in Paragraph 43 (misabeled as Paragraph

44. VERO denies the allegations contained in Paragraph 44 (misabeled as Paragraph 42), except to admit that Downey did not mark down the value of the Cayden Note on either Fund's balance sheet.

Geiger, Barbaresi, and Downey Benefit from the Misappropriations

43). 45. VERO denies the allegations contained in Paragraph 45 (misabeled as Paragraph

44). 46. VERO denies the allegations contained in Paragraph 46 (misabeled as Paragraph

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

47. The allegations contained in Paragraph 47 (misabeled as Paragraph 45) contain legal conclusions that do not require a response.

E. VIOLATIONS

48. VERO denies the allegations contained in Paragraphs 48 - 51 (misabeled as Paragraphs 46 - 49).

III.

No response is necessary with respect to Paragraphs A – F of this section.

IV.

No response is necessary with respect to any paragraph of this section.

AFFIRMATIVE DEFENSES

First Affirmative Defense

The OIP fails to state a claim against Respondents. The sections and rules charged herein have never been interpreted in a manner that would support these charges.

Second Affirmative Defense

At all times, Respondents acted in good faith and with the intent to comply with the provisions and requirements of the Funds' governing documents.

Third Affirmative Defense

At all times, Respondents acted in good faith and with the intent to comply with all of their legal and fiduciary obligations.

Fourth Affirmative Defense

The OIP fails to plead fraud with the requisite particularity.

Fifth Affirmative Defense

The Funds ratified VERO's actions at issue in this matter.

Sixth Affirmative Defense

To the extent the Funds' Participating Noteholders were required to consent to any of VERO's actions, which they were not, the Participating Noteholders ratified VERO's actions at issue in this matter.

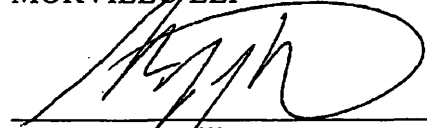
* * *

WHEREFORE, Respondents respectfully request that the Commission dismiss the Administrative and Cease-and-Desist proceedings commenced against them.

Dated: New York, New York
February 6, 2015

MORVILLO LLP

BY:



Gregory Morvillo
Eugene Ingoglia
Savannah Stevenson



Attorneys for Respondents