



VERDEAM

2506 West Main St., Suite 250  
Littleton, CO 80120  
303-962-3500

This *FIRM BROCHURE*; our “Disclosure Brochure” or “Brochure” provides information about the qualifications and business practices of Verdeam, LLC. If you have any questions about the contents of this *FIRM BROCHURE*, please contact us at (303) 962-3500 or at [chibben@verdeam.com](mailto:chibben@verdeam.com).

Verdeam is a Registered Investment Advisor. Registration of an investment advisor does not imply any specific level of skill or training. The information in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. This Disclosure Brochure provides information about Verdeam to assist you in determining whether to hire or retain Verdeam as your Advisor.

Additional information about Verdeam, LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (the CRD number for Verdeam, LLC is 128442).

## Item 2 – Material Changes

Form ADV 2 is divided into two parts: Part 2A and Part 2B. Part 2A (the “Disclosure Brochure”) provides information about a variety of topics relating to an Advisor’s business practices and conflicts of interest. Part 2B (the “Brochure Supplement”) provides information about advisory personnel of Verdeam.

Verdeam believes that communication and transparency are the foundation of our relationship and continually strive to provide our Clients with the complete and accurate information at all times. We encourage all current and prospective Clients to read this Disclosure Brochure and discuss any questions you may have with us. And of course, we always welcome your feedback.

### Material Changes

The following changes have been made to this Disclosure Brochure since the last filed and distributed version:

- No longer eligible to remain with the SEC, Verdeam has switched to State registration. As a result the previous version has been retired.
- The new Brochure reflects additional information to meet the Requirements for State Registration. Specifically Item 19.
- Lawrence A. Aubrecht has resigned as Managing Director, As a result Schedule A has been amended and his Brochure Supplement has been removed.
- The Brochure Supplement(s) are no longer attached and will filed separately.
- Item 10 has been amended to reflect the Other Financial Industry Affiliations of Verdeam.

### Future Changes

From time to time, we may amend this Disclosure Brochure to reflect changes in our business practices, changes in regulations and routine annual updates as required by the securities regulators. This complete Disclosure Brochure or a Summary of Material Changes shall be provided to each Client annually and if a material change occurs in the business practices of Verdeam, LLC.

At any time, you may view the current Disclosure Brochure on-line at the SEC’s Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You may also request a copy of this Disclosure Brochure at any time, by contacting us at (303) 962-3500 or at [chibben@verdeam.com](mailto:chibben@verdeam.com).

*Please Retain a Copy of This Brochure for Your Records*

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## Item 4 – Advisory Business

Verdeam, LLC (hereafter “Verdeam”), is a fee-based private investment management firm that focuses on intermediate to long-term investments opportunities in the Structured Finance Sector.

Verdeam is a registered investment advisory firm formerly known as Palm Advisors, LLC established in 2003. The experience, education, and background of its principals and investment adviser representatives (hereafter “IA Reps”) can be found in ITEM 19 of this Firm Brochure or the accompanying Brochure Supplement.

Verdeam is a subsidiary of VCM, LLC, a holding company principally owned by Carl G. de Rozario.

Verdeam provides **Investment Management Services** to Private Funds and **Investment Management and Consulting Services** to portfolio managers, originators, lenders and purchasers of government guaranteed loans sponsored through the Small Business Administration (“SBA”) and U. S. Department of Agriculture (“USDA”).

Private funds are neither registered under the Securities Act of 1933, nor registered under the Investment Company Act of 1940. Accordingly, interests in these funds are offered exclusively to investors satisfying the applicable eligibility and suitability requirements either in private placement transactions within the United States or in offshore transactions. No offer to sell these funds is made by the descriptions in this Brochure, and as noted these funds are available only to investors that are properly qualified.

Private fund investments are managed in accordance with the investment objective set forth in each private fund’s confidential offering memorandum and such investments are not tailored to the individual needs of any particular private fund investor. The accounts are managed in accordance with a client’s (General Partner/Fund) chosen strategy and clients have a limited ability to tailor such strategies or limit certain securities. Investors in these vehicles must meet the qualifications of the investment instrument. These private investment vehicles may not be available to, or appropriate for, all investors. Participation in the vehicles’ strategies may involve certain risks and the investments may not be suitable for all investors.

The Adviser will seek to invest in structured cash flows, primarily investing in interest-only strips that are created from Small Business Administration (“SBA”) and United States Department of Agriculture (“USDA”) guaranteed loans. The core strategy of the adviser is to buy and hold the strips while looking for restructuring opportunities. The adviser will also invest in other structured fixed income securities and or derivatives including cash flows (asset-backed receivables) derived from other U.S. Government-Sponsored Enterprises and

agencies. These instruments may include, but are not limited to obligations issued by the federal Agricultural Mortgage Corporation, Government Nat'l Mortgage Association, Federal Home Loan Mortgage Corporation and Student Loan Marketing Association.)

As part of the Investment Management and Consulting Services Verdeam provides to its clients, Verdeam may perform administrative, accounting, analysis and/or valuation services designed to track a wide range of loan characteristics and provide a comparative analysis of the securities in your portfolio or lending program on a yearly, quarterly or monthly basis.

Verdeam utilizes a proprietary technology to provide analytical and portfolio construction and re-structuring, transforming raw data and complex and forensic analysis into an application to manage both process flow and related data. Our analytical and valuation model is designed to integrate systems for tracking underlying collateral, loans and securities and provide customized reporting to provide real time portfolio pricing (NAV), analytics and other specialized portfolio accounting services such as payoff tracking, prepayment analytics, cash flow forecasting and risk control.

Regulatory assets under management at the time this brochure was prepared were:

Discretionary	\$ 38,200,000
Non-Discretionary	\$ 0
Total	\$ 38,200,000

For a Further discussion of these related items, See Item 7 “Types of Clients”, Item 8 “Methods of Analysis, Investment Strategies and Risk of Loss” and Item 10 “Other Financial Industry Activities and Affiliations”.

## Item 5 – Fees and Compensation

### Fee Schedules

Verdeam’s compensation depends on the manner in which it provides advisory services. We are compensated on various combinations of a percentage of **assets under management** and **performance-based fees**. Fees may be negotiated or waived in certain circumstances.

### Private Funds

Management fees for private funds range from 1.00% to 2.00% annually of client **assets under management**, calculated monthly in **arrears** at the close of each month on the ending account balance for the monthly billing period.

In some cases, depending on the terms of the fund, the advisory fee shall cease to be payable once Verdeam is eligible to receive an Incentive Fee.

In managing the Private Fund(s), Verdeam may also be entitled to Incentive Fee(s) or Allocation(s); **performance-based fees**. These fees are in the amount of 10% to 35%, depending on the fund, calculated monthly or quarterly at the end of each month or quarter. Verdeam may waive or lower management or performance fees for certain investors in the private funds because of their affiliation or relationship with Verdeam. Private fund fees are described to investors, in detail, in each private fund's confidential offering memorandum. The fund is only offered to qualified and accredited investors.

Investments in the Private Fund we manage are generally initiated at the beginning of the calendar month. Investors are not permitted to withdraw capital. Specific provisions for additions, withdrawals and terminations are set forth in each fund's confidential offering memorandum.

The Private Funds bear all expenses incidental to their operations and business, including organizational, investment and operating expenses. Investment expense include, but are not limited, to the expenses related to investing and holding capital, such as brokerage commissions, ticket charges, expenses related to short sales, trade execution platforms, clearing and settlement charges, custodial fees, bank service fees, interest expense, and extraordinary expenses. Operating expenses include but are not limited to third party professional and service fees and related expenses, including legal, administrative, consulting, custodial, regulatory reporting (including, but not limited to, Form PF, Schedule 13G, etc.), expenses related to the ongoing offering of Interests (including any "blue sky" filing fees), accounting, software and support, bookkeeping, investment and voting support, investor, auditing and tax preparation; premiums for directors' and officers' liability insurance (if any); indemnification expenses; research expenses such as systems, software, data, pricing feeds, databases, and related computing equipment.

Fees and expenses for each Private Fund are described to investors, in detail, in each Private Fund's confidential offering memorandum.

#### **Portfolio Managers, Originators, Lenders and Purchasers**

Management and Consulting fees are typically a percentage of the "Management Fees" received by the third-party in its capacity as Portfolio Manager, General Partner, Originator, Lender and or Purchaser. These fees range from 25% - 75% and are generally calculated monthly in **arrears** at the end of each calendar month.

#### **Other Expenses**

Other expenses for the Private Funds are described above under Private Funds. With respect to other funds and accounts, investment activity may also involve transaction fees payable by clients, such as sales charges, ticket charges, expenses related to short sales, clear and settlement charges, bank service fees, interest expenses, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage

accounts and securities transactions. In addition, clients may incur certain charges imposed by custodians, broker-dealers, third party investment consultants, and other third parties, such as custodial fees, consulting fees, administrative fees, and transfer agency fees.

We do not accept, and none of our principals, members, managers, directors, officers and employees (collectively, “supervised persons”) accept, any compensation for the sale of securities or other investment products.

## **Item 6 – Performance Based Fees and Side-By-Side Management**

Performance-based fees; fees based on a share of capital gains and or capital appreciation of the assets of a client (such client that is a hedge fund or other pooled investment vehicle). Fees which may be paid to Verdeam or to affiliates of Verdeam that serve as the general partners of the private funds.

This payment may be structured as a fee (referred to as an incentive fee or performance fee) or an allocation (referred to as an incentive allocation or performance allocation). A performance or incentive fee or allocation is representing an asset manager’s compensation for managing an account/fund, which is based upon a percentage of the net income and/or profits of the account/fund being managed.

### **Incentive allocation**

A typical hedge fund is a partnership. The general partner of a hedge fund is also typically a partnership. The general partner entity is a partner in the hedge fund partnership, and as such is entitled to an allocation of the partnership’s income, profits, losses, and expenses. The partnership agreement generally provides that income, profits, losses, and expenses are first apportioned among the partners in proportion to capital contributions. The incentive allocation provisions of the partnership agreement provide, however, that if there is net income in any year, a % of the **net income** that is initially apportioned to the limited partners will be allocated instead to the general partner (which in turn can be allocated to the advisor).

### **Incentive fee**

The incentive fee provisions of the partnership agreement provide that if there is net profit in any year, the fund pays a fee to the general partner equal to a % of such **net profit**.

When calculating the net profits, the fees and/or allocations may be based on absolute or **benchmark** (sometimes referred to as a hurdle) relative returns and subject to certain *clauses or provisions*.

The **hurdle rate** indicates the minimum economic performance that the fund adviser must achieve in order to be allowed to charge an incentive fee.



The **high-water mark** (or 'loss carry forward') states that any previous losses must be recouped by new profits before the incentive fee is to be paid. A provision in which the performance fee only applies when there are net profits (i.e., profits after the losses in previous years have been recovered). This means that the Advisor only receives an Incentive Fee on increases in the account value of the Client's account in excess of the highest account value it has previously achieved.

The **clawback clause** (or 'loss recovery account') stipulates that a portion of the incentive fee will be retained every year in a clawback account, usually until the account reaches a certain percentage of the assets. If future performance turns out to be negative, the clawback account is then debited to the client's credit at the incentive fee rate. If the negative relative performance exceeds the clawback account, then a loss recovery account will be established. Future incentive fees will be credited to this account, and no incentive fee will be earned by the manager until the loss recovery account has been reduced to zero.

*Performance-based fees create certain inherent conflicts of interest with respect to Verdeam's management of assets. For example, such fees may cause us to engage in transactions or strategies which will increase the amount of the performance fees, but which may not increase the overall performance of the client's account. To minimize this conflict of interest, Verdeam's performance fee is usually earned only when the account performance is positive and account performance exceeds an agreed-upon hurdle rate.*

*Specifically, our entitlement to a performance-based fee in managing one or more accounts may create an incentive for us to take risks in managing those assets that we would not otherwise take in the absence of such arrangements, or to recommend an investment that may carry a higher degree of risk to the client. Additionally, since performance-based fees reward us for strong performance in accounts which are subject to such fees, we may have an incentive to favor these accounts over those that have only asset-based fees (i.e., fees based simply on the amount of assets under management in an account) with respect to areas such as trading opportunities, trade allocation, and allocation of new investment opportunities. To minimize this conflict of interest, Verdeam's performance-based fee schedule will usually include a base fee calculated on assets under management so that Verdeam's incentive to grow capital that is appropriately balanced with an incentive to preserve capital.*

*The conflicts of interests described above are further mitigated by the fact that we employ the same investment strategy for all client accounts/funds, we only advise private funds which generally will all have a performance fee arrangement and our investment strategy is to primarily invest in fixed income instruments collateralized by various government agencies and enterprises.*

In addition to the Management Fee(s) (asset-based fee) that Verdeam receives for the management of Private Funds, Verdeam may receive:

An **Incentive Allocation** based upon any gains obtained in the Client's account/fund for the preceding quarter. This fee will be equal to a % of any gains in the Client account at the end of the preceding quarter, subject to a "**high water mark**" to ensure the Advisor will not



receive the Incentive Fee unless, and only to the extent that there are cumulative gains in the Client's account.

An **Incentive Fee** based upon the Client/Fund achieving its **hurdle rate** in which the Limited Partners receive their Preferred Return (as described in the offering memoranda) and recovering their Capital Contributions. Thereafter, the Incentive Fee, if payable, shall be equal to a % of the Cash Flow (and Net Capital Proceeds, if available) and shall be paid monthly as earned. Once the Verdeam has earned the Incentive fee, the annual “management fee” shall cease to be payable.

The Incentive fee(s) paid to Verdeam are not subject to “**claw back**” or reduction based on any losses incurred in subsequent periods.

Verdeam does not represent that the amount of the performance fees or the manner of calculating the performance fees is consistent with other performance-related fees charged by other investment advisers under the same or similar circumstances. The performance fees charged by Verdeam may be higher than the performance fees charged by other investment advisers for the same or similar services.

We structure any performance fees subject to federal rules and in accordance with the available exemptions granted under those rules.

## Item 7 – Types of Clients

Verdeam provides investment management services to:

- **Pooled Investment Vehicles:** we provide sophisticated investment strategies and techniques to private investment pools.

*The minimum suitability standards and investment required to invest in a Private Fund is described in each Private Fund's confidential offering memorandum.*

## Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Verdeam utilizes a proprietary technology to provide analytical and portfolio construction and re-structuring, transforming raw data and complex and forensic analysis into an application to manage both process flow and related data. Our analytical and valuation model is designed to integrate systems for tracking underlying collateral, loans and securities and provide customized reporting to provide real time portfolio pricing, analytics and other specialized portfolio accounting services such as payoff tracking, prepayment analytics, cash flow forecasting and risk control. Despite the analysis we

perform, any investment in securities carries market risk and investors may lose their principal investment.

Verdeam's investment strategy is to make investments in undervalued cash flows found in a variety of asset classes including, but not limited to fixed income securities and real estate. To implement our strategy, we analyze, value, and manage fixed income instruments collateralized by various government agencies such as Sallie Mae, the Small Business Administration ("SBA"), and other asset backed receivables.

Investments in Partnerships/Private Funds involve a number of risks. We invest primarily in interest-only strips. Any form of prepayment, whether it is through default or prepayment, will have an adverse effect on cash flows. Changes in interest rates will affect the underlying loan portfolio. As interest rates fall, borrowers may be compelled to refinance their loan, increasing prepayment risk. As interest rates increase, borrowers may have difficulty making higher debt payments, potentially increasing default risk. Increased interest rate volatility may reduce demand for the assets likely to constitute the fund's portfolio, further reducing liquidity and impacting valuation of the assets in the secondary market negatively. More generally, depressed economic activity may impair the borrowers' core businesses and increase loan defaults. This investment strategy involves a variety of risks and a wide range of assumptions. The risks discussed are not the only risks applicable; a larger scope of risks can be found in each fund's confidential offering memorandum.

No investment or investment strategy can assure a profit or avoid a loss. Investing in securities involves risk of loss that clients should be prepared to bear.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of the firm or the integrity of its management. Verdeam is currently not subject to, nor has ever been subject to, any legal or disciplinary events of a material nature.

## **Item 10 – Other Financial Industry Activities and Affiliations**

### **Sponsor of Limited Partnerships**

Verdeam Investment Management, LLC is the General Partner of VP 2012-1, LLLP. This fund is a Private Fund that is managed by Verdeam, LLC. Both Verdeam Investment Management, LLC and Verdeam, LLC are wholly owned subsidiaries of VCM, LLC in which Carl G. de Rozario, an Officer of Verdeam, is the majority owner.

Mr. de Rozario will also be the primary individual serving the management functions of each entity. In making its decision as to which investment advisor the Partnership would select to manage the Partnership's portfolio, the General Partner had an obvious conflict of interest in selecting its affiliate, Verdeam, LLC, as opposed to one or more independent investment advisors. Potential investors should take note that the entire control of the Partnership and its investments is in the hands of Mr. de Rozario, acting through the three entities he controls, and that Mr. de Rozario dictated the terms of the Advisory Agreement between Verdeam and the Partnership, including the terms of compensation set forth in the fund's Memorandum.

Verdeam Investment Management, LLC may be entitled to payment of a management structuring fee equal to 1% of the loan amount. A loan secured by the GP to finance the acquisition of the fund's assets.

## **Item 11 – Code of Ethics**

### **Code Of Ethics**

Verdeam has adopted a Code of Ethics expressing the firm's commitment to ethical conduct.

Verdeam's Code of Ethics describes the firm's fiduciary duties and responsibilities to clients, and details practices for reviewing the personal securities transactions of supervised persons with access to client information. The Code also requires compliance with applicable securities laws, addresses insider trading, and details possible disciplinary measures for violations. Verdeam will provide a complete copy of its Code of Ethics to any client upon request to the Chief Compliance Officer.

### **Participation Or Interest In Client Transactions And Personal Trading**

Individuals associated with Verdeam may make recommendations to clients related to pooled investment funds with which they are associated. In addition, associated individuals are permitted to buy or sell securities for their personal accounts identical to or different than those recommended to clients. Recommendations and transactions such as these may create an incentive for the individual to act in his own best interest rather than that of the client.

Verdeam prohibits associated persons to favor his or her own interest over that of a client, or to make personal investment decisions based on the investment decisions of clients.

In order to address these and other potential conflicts of interest, Verdeam requires that associated persons with access to advisory recommendations provide annual securities holdings reports and quarterly transaction reports to the firm's Chief Compliance Officer.

Verdeam also requires prior approval from the Chief Compliance Officer for investing in any IPOs or private placements (limited offerings).

## **Item 12 – Brokerage Practices**

In choosing broker-dealers, we are not required to consider any particular criteria. For the most part, we seek “best execution” of client/fund transactions. In evaluating whether a broker-dealer will provide best execution, we consider a range of factors. These include, among others, historical net prices (after markups, markdowns or other transaction-related compensation) on other transactions, the execution, clearance and settlement and error correction capabilities of the broker-dealer generally and in connection with securities of the type and in the amounts to be bought or sold, the broker-dealer’s willingness to commit capital, the broker-dealer’s reliability and financial stability, the size of the transaction, and the market for the security.

### **Research and Other Soft Dollar Benefits**

Where, considering all relevant factors, it is believed a broker-dealer can provide “best execution,” we may select that broker-dealer in recognition of the value of various services or products, beyond transaction execution, that the broker-dealer provides to the Partnership. Further, the amount of compensation the Partnership pays such a broker-dealer may be higher than what another, equally capable broker-dealer might charge. Selecting a broker-dealer in recognition of services or products other than transaction execution is known as paying for those services or products with “soft dollars.”

Section 28(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), provides a “safe harbor” to investment managers who use commission dollars of their advisory accounts to obtain investment research, brokerage and other services (so-called “soft dollar” arrangements) that provide lawful and appropriate assistance to the manager in performing investment decision making responsibilities, provided that the amount of any increased commission costs on account of such research or other services is reasonable relative to the value of the services so provided. As we do not utilize “soft dollars”, Verdeam has no information to disclose in this regard.

### **Brokerage for Client Referrals**

As this does not apply to Verdeam, Verdeam has information to disclose in this regard.

### **Directed Brokerage**

As Verdeam has discretion as to the broker-dealers that transactions will be executed through, Verdeam has no information to disclose in this regard.

### **Item 13 – Review of Accounts**

Verdeam reviews all Clients' account holdings daily, but reviews each Client account on a monthly basis in conjunction with calculating their management fees. Verdeam employs various programs when conducted periodic reviews are made, which include investment objectives and strategy descriptions. More frequent reviews may be triggered by material changes in variables such as market, political or economic environment.

Pooled fund members are provided with account statements from the fund's general partner on a monthly basis which includes an NAV summary, an earnings summary for the entire portfolio, individual statements, and cumulative balances. Verdeam may also provide periodic performance analysis.

### **Item 14 – Client Referrals and Other Compensation**

We do not have any referral arrangements with individuals who are compensated for such referrals. If we were to enter into such an arrangement, we would do so in compliance with applicable law and in accordance with Rule 206(4)-3 under the Investment Advisers or similar state rules regarding solicitation arrangements. Conversely, we do not receive or accept compensation or any other economic benefit from non-clients for providing investment advice or other advisory services.

### **Item 15 – Custody**

Verdeam does not act as a general partner for a partnership, managing member for a limited liability company or trustee for a trust in which Verdeam's "advisory clients" are either partners of the partnership, members of the limited liability company or beneficiaries of the trust. Additionally, neither Verdeam nor any affiliated CPA firm has signatory authority for an "advisory client's" checking account.

We may be deemed to have custody of certain client securities under Rule 206(4)-2 under the Investment Advisers Act. Specifically, we may be deemed to have custody of securities of Private Funds because Affiliates of Verdeam serve as a general partner(s) for a partnership and as a managing member for a limited liability company to Private Funds.

Partnership interests/assets are maintained by their custodian, specifically UMB Bank, N.A. formerly United Missouri Bank. Private Fund Investors will receive monthly statements directly from the third-party administrator if one exists or at least quarterly. We urge client to review their account statements for accuracy.

## **Item 16 – Investment Discretion**

Generally, our clients retain us on a discretionary basis upon execution of a management agreement. We have discretionary authority with respect to the investment decisions on behalf of our clients pursuant to the management agreements. Investment decisions for the Funds are made in accordance with the applicable Fund's investment objectives, strategies and restrictions and are not tailored to the individualized needs of any particular investor in the Fund.

Fund investors should consider whether the applicable fund meets their investment objectives and risk tolerance prior to investing. Information about the Private Funds can be found in their governing documents and offering memoranda.

## **Item 17 – Voting Client Securities**

We have written proxy voting policies and procedures as required by Rule 206(4)-6 under the Investment Advisers Act. Under these policies and procedures for any security that entails a voting right in the underlying company, Verdeam will not have or accept authority to vote Client securities. All voting issues, proxies, and solicitations will be communicated to Clients through the Client's broker-dealer/custodian. Nor will Verdeam provide advice on behalf of proxy shares.

Clients may obtain, free of charge, a full copy of our proxy voting policies and procedures and/or a record of proxy votes on their behalf by contacting us at the following address:

Verdeam, LLC  
2506 West Main St., Suite 250  
Littleton, CO 80120  
Attn: Chief Compliance Officer  
303-962-3500

## **Item 18 – Financial Information**

Verdeam would be required to disclose additional financial information if it were to charge fees in advance, but as described in the "Fees & Compensation" section (pages 5-6 of this FIRM BROCHURE), Verdeam charges all advisory fees in arrears at the end of the calendar month or quarter. In any case, Verdeam, its management and IA Reps have no material financial information (e.g. bankruptcies, liens, judgments) in their backgrounds.

## Item 19 – Requirements for State-Registered Advisers

Verdeam has only two principal executive officers (or management persons): **Carl G. Rozario** and **Chuck C. Hibben**. Their biographical information is given below or on the accompanying BROCHURE SUPPLEMENT document.

**Charles C. Hibben** is the CCO of Verdeam, LLC.

For over 25 years, Mr. Hibben has been involved in the securities industry focusing primarily in the taxable fixed income, mortgage/asset-backed, and derivative related sectors. His expertise also focused on advising large multi-billion dollar portfolios owned by national bank and bank holding companies. He began his career in the mid 1980's with First Chicago Capital Markets where he was Vice President of Institutional Fixed Income Sales. In 1991, he joined Kidder Peabody and their subsequent merger partner PaineWebber, where he was Senior Vice President of Regional-Institutional Fixed Income Sales. At both firms, Mr. Hibben excelled in product development and customer relations, providing the opportunity to surpass \$2 billion in annual sales volume. Mr. Hibben received a Bachelor of Science in Management in 1980, a MBA with a concentration in Finance in 1986, and a Master's of Science with a concentration in Information Technology and Electronic Commerce in 2001. All degrees were earned from The University of Denver, Daniels College of Business.

**Carl G. de Rozario** is the Managing Director of Verdeam, LLC

Prior to joining in the formation of Verdeam, LLC, Mr. de Rozario was the President and Chief Executive Officer of First Matrix Investment Services, Matrix Capital Markets and Matrix Asset Management. Mr. de Rozario has over 27 years of experience in the securities industry, having specialized in a broad range of mortgage-related securitizations. Mr. de Rozario served as Vice President of Structured Finance for U.S. Bancorp Investments where he underwrote asset and mortgage-backed transactions, which included the financing of subordinate whole loan derivatives. In 1993, Mr. de Rozario founded Lewis, de Rozario and Company, a Denver-based NASD member broker-dealer, where he served as President and Managing Director of Fixed Income Trading. Mr. de Rozario also served as Vice President of Capital Markets for First Interstate Bank of Denver, where he managed all trading activities and managed a \$400 million government bond and mortgaged-back arbitrage trading account. In 1987, while Mr. de Rozario managed the mortgage-trading desk, First Interstate became the second bank in the nation to publicly underwrite a CMO/REMIC under the First Interstate Denver Asset Trust ("FIDAT"). Mr. de Rozario has a Bachelor of Science in Economics with a concentration in Finance from Colorado State University.

Verdeam would be required to disclose additional information if it: were to charge performance-based fees; had any other relationship or arrangement with any issuer of



securities; or was ever found liable in either: (a) an arbitration, or (b) a civil, self-regulatory organization, or administrative proceeding. As none of these apply to Sample Advisor, its management persons, or IA Reps, Sample Advisor has no information to disclose in these regards.

**Performance-Based Fees Calculation**

The performance/incentive fee or allocation shall equal a % of the cash flow (and Net Capital Proceeds, if available). Whenever allocations are made, the Fund's portfolio of securities is "marked to market" so that profit and loss includes all portfolio gains and losses, whether realized or unrealized. Profit for any period is equal to any increase in Net Assets during that period and Loss for any period is equal to any decline in Net Assets during that period. The Fund's Net Assets generally are determined by valuing all assets and deducting all accounts payable, accrued expenses and other liabilities of the Partnership.

The Partnership's Net Assets are determined for all purposes (such as calculating Profits and Losses) by or at the direction of the General Partner as of the close of business on the last day of each period for which calculations are required. Generally, securities are valued (i) at their last published sale price, if they are listed on an established securities exchange or in Nasdaq, or (ii) if last sale prices are not published, at the highest closing bid price (for securities held long) and the lowest closing asked price (for short positions) in certain established quotation systems.

Performance-based compensation may create an incentive for Verdeam to recommend an investment that may carry a higher degree of risk to the client. Incentive fees will only be charged in accordance to CCR 260.234.

For further discussion of the inherent risk and how we minimize or mitigate that risk, please refer to Item 6, "Performance-Based Fees and Side-by-Side Management on page 7 of this Firm Brochure.