

## **Mayo Investment Advisers LLC**

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This brochure provides information about the qualifications and business practices of Mayo Investment Advisers LLC. If you have any questions about the contents of this brochure, please contact us at: 617-897-5800. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority. The fact that Mayo Investment Advisers LLC is a “registered investment adviser” does not imply a certain level of skill or training.

Additional information about Mayo Investment Advisers LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

This document differs from the Form ADV Part II brochure that Mayo Investment Advisers LLC (“MAYO”) has prepared in the past because of changes the SEC has made to Form ADV. One of the principal changes under the new requirements is that information about MAYO is now provided in a narrative format in this Form ADV Part 2A brochure. Much of the disclosure in this brochure is substantially the same as corresponding disclosures in MAYO’s most recent Part II brochure.

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## **Item 4: Advisory Business**

### **A. Description of the Advisory Firm**

Mayo Investment Advisers LLC (“MAYO”) has been in business as an SEC registered investment adviser since January 1, 2002.

Richard Mayo is the principal owner of MAYO.

### **B. Types of Advisory Services**

MAYO furnishes discretionary investment advisory services to institutional and individual separate account investors. MAYO also provides advisory services to MCP Fund, L.P., an investment partnership, Mayo Capital Partners Offshore Fund, Ltd., an exempt mutual fund company in and under the laws of Bermuda, and MCP Global Values Fund, L.P., an investment partnership collectively referred to as the “Investment Funds”.

### **C. Client Tailored Services and Client Imposed Restrictions**

Investments for separate account clients generally follow the same investment guidelines. In rare circumstances, a client may make a specific investment request that differs from our general guidelines.

Separate account clients may impose restrictions on investing in certain securities or types of securities. These restrictions are based upon written instructions provided by our clients.

The Investment Funds operate based upon the guidelines imposed by each fund’s Private Placement Memorandums.

### **D. Wrap Fee Programs**

MAYO does not participate in wrap fee programs.

### **E. Amounts Under Management**

As of December 31, 2010 MAYO had \$2,311,000,481 of assets under management on a discretionary basis.

## **Item 5: Fees and Compensation**

### **A. Fee Schedule**

#### Separate Account Clients

Separate account clients are charged a management fee based upon a percentage of the assets under management within the client's account. These fees are calculated and billed to separate account client's quarterly in arrears based upon the average of the account's value as of the end of each month in the prior quarter. The management fees paid to MAYO by separate account clients are separately negotiated and detailed in each client's investment management agreement with MAYO.

#### Investment Funds

Investors in the Investment Funds bear a management fee and a performance allocation or fee, the terms of which are described in the fund's private placement memorandum. Management and performance fee/allocation paid with respect to investments in the Investment Funds are [non-negotiable].

##### *MCP Fund, L.P. (the "U.S. Fund")*

MAYO receives a management fee from the U.S. Fund at an annual rate of 1.00%, calculated monthly in arrears based upon the fund's net asset value as of the last day of the prior month (after taking into account any contributions or withdrawals as of such date or the first day of the month to which the management fee relates).

Mayo Capital GP LLC, the general partner of the U.S. Fund (a related party of MAYO), is entitled to receive a performance allocation, calculated separately for each investor in the fund, equal to 20% of the net increase in the value of the investor's capital account in the fund over the relevant fiscal period, reduced to the extent of any accumulated net decrease in the value of such investor's capital account from prior periods.

##### *Mayo Capital Partners Offshore Fund Ltd. (the "Offshore Fund")*

MAYO receives a management fee from the Offshore Fund at an annual rate of 1.00%, calculated monthly in arrears based upon the fund's net asset value as of the last day of the prior month (after taking into account any subscriptions or redemptions as of such date or the first day of the month to which the management fee relates).

MAYO is also entitled to receive a performance fee from the Offshore Fund, calculated separately for each series of the company's outstanding shares, equal to 20% of the net increase in the value of each such series of shares over the relevant fiscal period, reduced to the extent of any accumulated net decrease in the value of such series of shares from prior periods.

*MCP Global Values Fund, L.P. (the “Global Fund”)*

MAYO receives a management fee from the Global Fund, calculated monthly in arrears based upon the fund’s net asset value as of the last day of the prior month (after taking into account any subscriptions or redemptions as of such date or the first day of the month to which the management fee relates). The management fee for each investor that was an investor on February 28, 2010 (a “Fee Only Partner”) is calculated on an annual rate of 1.5% and the management fee for each investor that is not a Fee Only Partner (*i.e.* was not an investor on February 28, 2010) is calculated on an annual rate of 1.0%.

With respect to investors in the Global Fund that are not Fee Only Partners, MCP Global Values GP LLC, the general partner of the Global Fund (a related party of MAYO), is entitled to receive a performance allocation, calculated separately for each such investor in the fund, equal to 20% of the net increase in the value of the investor’s capital account in the fund over the relevant fiscal period, reduced to the extent of any accumulated net decrease in the value of such investor’s capital account from prior periods. Investors in the Global Fund that are Fee Only Partners do not bear a performance allocation.

**B. Payment of Fees**

Separate account clients are billed quarterly in arrears. The fees are, for the majority of the separate account clients, paid by either the client or the custodian based upon the instructions provided by the client. Upon request MAYO may agree to debit fees from client accounts.

The Investment Funds pay management fees monthly in arrears. The administrator of the Investment Funds, Citi Hedge Fund Services, calculates the management fee for each fund and initiates the payments to Mayo.

Performance allocations/fees in respect of the Investment Funds are allocated/paid annually at the end of each fiscal year. If an investor withdraws an amount from or redeems its shares in an Investment Fund prior to the end of a fiscal year, a performance allocation/fee in respect of the withdrawn amount or redeemed shares will be calculated and allocated/paid as of the date of such withdrawal or redemption.

**C. Other Fees**

Clients are responsible for the payment of third party fees (*i.e.* custodian fees, mutual fund fees, commissions, transaction fees, etc.) These fees are separate and distinct from the management fees charged by MAYO. Please see Item 12 of this brochure for further information regarding our brokerage practice.

**D. Prepayment of Fees**

Not applicable.

#### **E. Outside Compensation For the Sale of Securities to Clients**

Not applicable.

### **Item 6: Performance-Based Fees**

MAYO or an affiliate is entitled to receive a performance fee or allocation in respect of the Investment Funds. Please see the responses to Item 5 above for a description of these performance-based compensation arrangements. Performance-based compensation arrangements may create an incentive for Mayo to favor the Investment Fund over the separate accounts in the allocation of investment opportunities. MAYO has trade allocation policies and procedures in place to ensure that all client accounts are treated fairly and equitably and to manage conflicts of interest and prevent any such conflict from influencing the allocation of investment opportunities among client accounts.

### **Item 7: Types of Clients**

MAYO provides investment advisory services to a variety of client types including endowments, pension and profit plans, high net worth individuals, charitable organizations, and private investment funds. The minimum investment for our separate account clients is \$5,000,000 and for our Investment Fund clients is \$1,000,000. These minimum amounts are negotiable.

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

#### **A. Methods of Analysis and Investment Strategies**

Mayo is a value manager whose objective is to provide clients with above market returns with below market risk. We are a team of fundamental stock pickers, first and foremost, who incorporate discipline and rigorous risk management into the decision-making and execution process. We constantly evaluate the investing environment when considering or implementing an investment, including fundamental, economic, and market risks.

We use various screens to help identify areas to look for undervalued stocks and to help discover companies with underappreciated or misunderstood return characteristics or earnings power. Fundamental research sources include business observation, screening tools, and industry, management, and analyst relationships developed over a long period of time. We visit companies, talk to management, and talk to competitors whenever we think that will help to add insight and further our analytical/research effort.

We believe that the market is inefficient, that for certain stocks, prices do not reflect intrinsic value and that through rigorous research, a focused team of disciplined analysts can build a portfolio of undervalued stocks that will, as profitability and/or market perception improves, substantially outperform broad market averages with below market risk. Valuation is the critical determinant in our stock evaluation process. Cash reserves may be maintained in client accounts, both for new transactions but also to react opportunistically to existing investments. Cash holdings within client accounts will increase when market risk is perceived to be great, or if few attractive investment opportunities present themselves.

Portfolios are generally comprised of common stocks, but may occasionally hold positions in bonds and cash. Investment ideas are constantly generated and vetted as we seek to identify companies with compelling valuation and fundamental characteristics. We do in-depth assessments of the fundamentals in business models, management, competitive landscape, etc – and then “bring it to the table” for peer review. As we commit capital to a stock, conviction and confidence determine the position size. Explicitly cognizant of the investment objectives, portfolios are built bottom-up, stock by stock, a diversified collection of undervalued securities, in order to maximize return and minimize risk.

We typically accumulate positions over time, building positions as our conviction increases and price opportunities present themselves. Positions are sold when stocks meet or exceed fair value, or if fundamentals deteriorate and improving profitability or valuation is no longer expected. Stocks may be sold to realize profits and to minimize risk. We attempt to add value and reduce risk by actively trading around core positions, utilizing liquidity as an asset. Given our absolute return orientation, we may make significant sector bets relative to applicable benchmarks when compelling opportunities exist.

In our separate accounts there are times when we may have zero exposure to a sector or industry. We will generally limit maximum exposure to an industry to 20-25%. We will generally limit holdings of an individual security to 7-8%, and rarely hold positions over 5%. We examine client portfolios daily, and make whatever changes may be necessary to achieve return and risk objectives.

MCP Fund, L.P. and Mayo Capital Partners Offshore Fund Ltd. seek short opportunities with some of the following characteristics: deteriorating fundamentals, extreme valuations, excessive expectations and risk reduction opportunities. These funds limit concentration in an individual issuer to 5% for a long position, 3% for a short position, and have a limit of 20% for investments within a single industry, all calculated on an at-cost basis. Typically, these funds will exercise a stop-loss trade on short positions which appreciate by 20%. Overall exposure will reflect the availability of long and short ideas, but these funds expect the portfolio to reflect a long bias over time, with net exposure approximately 0-50%. Gross exposure will generally be 150% or less.

MCP Global Values Fund, L.P. seeks to achieve its investment objective primarily by investing at least 80% of its net assets in equity securities of companies around the world, including in emerging markets, that the fund believes trade at a discount to their intrinsic value. The fund also may invest in bonds or other fixed income securities of any maturity rated as low as CC/C and their unrated equivalents. In addition, the fund may invest, directly or indirectly, in precious metals. MCP Global Values Fund, L.P.’s gross exposure will not generally exceed 200% of its net assets. The fund may invest in equities with no restrictions as to specific industries and few restrictions to specific countries. Its portfolio generally will consist of securities of 20 to 100



issuers. It will not generally invest more than 15% of its total assets in securities of any one issuer.

Additional detail of the investment objectives and policies of the investment funds can be found in each fund's private placement memorandum.

## **B. Risks of Specific Securities Utilized**

Investments in securities involve a risk of loss that separate account clients and investors in the Investment Funds should be prepared to bear. There can be no assurance that a client's investment objective can be achieved. The primary risks inherent in the investment strategies employed by MAYO for separate account clients and the Investment Funds are as follows:

*Market Risk* – The value of an investment will fluctuate as a result of changes in market price, which may be adversely affected by general economic or market conditions and by specific events or developments relating to, among other things, a company, industry or region.

*Liquidity Risk* – At times equity markets may be subject to liquidity events that would preclude the timely liquidation of securities to meet cash needs.

*Frequent Trading* – Frequent trading of securities can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

*Non-diversification* – A client's portfolio may, from time to time, be invested in the securities of a limited number of issuers, some of which may be within the same industry sector, in which case the portfolio may be more susceptible to any single economic, political or regulatory occurrence than the portfolio securities of a diversified investment company.

*Investments in Non-U.S. Issuers* – Investments in the securities of issuers located outside the U.S., and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies, withholding or other taxes; trading, settlement, custodial and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make non-U.S. investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments.

### **Certain additional risks relating to the Investment Funds include:**

*Leverage* – The Investment Funds may leverage their portfolios in order to increase their holdings of portfolio securities. Leverage will exaggerate the effect of any increase or decrease in the value of an Investment Fund's assets and, therefore, may increase the volatility of the fund's net asset value. The costs associated with leverage (such as interest payments on borrowings, commitment fees, and transaction costs associated with short sales and other derivative instruments) may exceed the income received from the securities or other instruments purchased through leverage.

*Short sales and other derivative instruments* – The Investment Funds may use short sales or other derivative instruments to further the fund’s investment objective. Short sales and derivative instruments involve distinct investment risks and transaction costs and, under certain market conditions, can increase the volatility and decrease the liquidity of an Investment Fund’s portfolio, which may lower the fund’s returns or result in a loss.

*Certain additional risks relating more particularly to the Global Fund include:*

*Currency Risk* – A significant amount of the assets held by the Global Fund may be denominated in currencies other than U.S. dollars. These investments are exposed to currency risk, as the value of the securities denominated in other currencies may fluctuate due to changes in exchange rates.

*Commodities and Commodity Futures Contracts* – The Global Fund may purchase, hold and sell commodities (such as precious metals) and purchase and sell commodities futures contracts on physical commodities (such as precious metals and oil) and related options. The price of commodities fluctuates daily and can be highly volatile. Trading in commodity futures contracts and options are highly specialized activities which and, while they may increase the total return of the Global Fund’s portfolio, may entail greater than ordinary investment or trading risks.

*Precious Metals* – The Global Fund may invest directly or indirectly (through exchange traded funds, commodity pools, or equity securities of companies engaged in the business of mining) in precious metals. The price of precious metals fluctuates daily and can be highly volatile. In order for the purchase of precious metals to become profitable, the value of the metals must increase sufficiently to exceed the total cost paid, including, without limitation, brokers fees (commissions, delivery costs, storage costs, and interest (to the extent leveraged)). On any given day, market trading in categories of precious metals may be restricted, halted or suspended, in which event it may be difficult or impossible to sell precious metals to obtain liquidity or decrease exposure.

The foregoing is only a brief summary of some of the important risks associated with the investment strategies employed by Mayo of which clients and investors in the Investment Funds should be aware. As a result of these factors and other risks inherent in any investment, there can be no assurance that a client’s investment objectives will be achieved, or that a client will receive any return of or on its invested capital.

For a more detailed discussion of the risks relating to an investment in an Investment Fund please refer to the private placement memorandum for such Investment Fund.

## **Item 9: Disciplinary Information**

Not applicable.

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

### **A. Registration as Broker/Dealer or Broker Deal Representative**

Neither MAYO nor its personnel are registered as a broker/dealer or as a representative of a broker dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Advisor**

Neither MAYO nor its personnel are registered as a FCM, CPO, or CTA.

### **C. Regulation Relationships Material to this Advisory Business and Possible Conflicts of Interest**

Neither MAYO nor its personnel have any relationships or arrangements material to our business that creates a conflict of interest with our clients.

### **D. Selection of Other Advisors or Managers and How This Advisor is Compensated for Those Services**

MAYO does not utilize or select other advisers or third party managers.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Our Code of Ethics (the “Code”) is based on the principle that we have a fiduciary duty to our clients to act solely for their benefit and to place their interests ahead of our own. This Code, which includes the Insider Trading Policy, applies to all MAYO personnel and focuses principally on pre-clearance and reporting of personal transactions in securities. All personnel must avoid activities, interests and relationships that might interfere with making decisions in the best interest of any of our clients. Personnel must scrupulously avoid placing their own personal interests ahead of the interests of our clients in any decision relating to their personal investments. Personnel may not induce or cause a client’s Account to take action, or not to take action, for personal benefit, rather than for the benefit of our clients. Nor may any personnel otherwise exploit the client relationship for personal gain.

Personnel must not only seek to achieve technical compliance with the Code but should strive to abide by its spirit and the principles articulated herein. Doubtful situations should be resolved in favor of our clients in consultation with the Compliance Department.

Employees and certain related persons of MAYO may hold interests in MCP Fund, L.P. and MCP Global Values Fund, L.P. These employees and related persons constitute a substantial percentage of MCP Fund, L.P.'s total assets. MAYO is authorized to engage in short selling on behalf of MCP Fund, L.P., Mayo Capital Partners Offshore Fund, L.P., and MCP Global Values Fund, L.P. MAYO may be selling securities short on behalf of MCP Fund, L.P., Mayo Capital Partners Offshore Fund, L.P., or MCP Global Values Fund, L.P. at the same time MAYO is buying the same securities for other clients and may buy or sell securities for MCP Fund, L.P., Mayo Capital Partners Offshore Fund, L.P., or MCP Global Values Fund, L.P. that it also buys for other clients at the same time or at different times.

MAYO's employees, members and their affiliates may acquire, hold, or dispose of the same investments for their own accounts as are held or to be purchased or sold for a client's account subject at all times to Adviser's Code of Ethics. It is MAYO's policy that, in general, all of MAYO's employees, members, and their affiliates must receive advanced approval from the Compliance Department before purchasing or selling a security. Pre-clearance approval will not generally be granted for the following proposed security transactions: (i) initial public offerings; (ii) private placements; (iii) any security purchased or sold by MAYO within three calendar days prior to the submission of the pre-clearance request or any security being considered for purchase or sale by MAYO within fifteen calendar days after submission of the pre-clearance request; (iv) short selling any security that is held in, or being considered for purchase or sale by any client account; (v) securities on a "restricted list" maintained by the Compliance Department. MAYO's Code of Ethics will be provided to any current or prospective client upon request. A copy of our Code of Ethics will be provided to any client or prospective client upon request.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker/Dealers**

MAYO does not have any commitments or understandings to trade with specific broker-dealers or to generate a specified level of brokerage commission in order to receive brokerage or research services. These commitments or understandings are generally known as "soft dollar arrangements." From time to time, on an unsolicited basis, MAYO may receive research and brokerage services from broker-dealers (including prime brokers) as an incident of doing business with these broker-dealers, but only where (1) there is no formalized arrangement with an explicit target or ratio linked to MAYO's commission business with such broker-dealers; and (2) MAYO does not "pay up" for these items in the form of higher commissions on similarly situated client trades.

MAYO executes client transactions with broker-dealers only in a manner that complies with Section 28(e) of the Securities Exchange Act of 1934, as amended. MAYO will execute client transactions through broker-dealers only if it believes such brokers provide best execution. In evaluating best execution, we may consider the full range and quality of a broker's services in

placing brokerage, including, among other things, execution capability, commission rate, access to market information, access to IPO's and responsiveness to MAYO. Best execution for portfolio transactions seeks to obtain not necessarily the lowest commission but the best overall qualitative execution in the particular circumstances. Wherever possible, we use our clients' commission dollars to ensure consistent value-adding services from executing brokers. Accordingly, we normally seek to use a reasonably concentrated list of brokers in order not to dilute the impact of commission dollars. In addition, we normally work orders in individual stocks with a single broker (while constantly monitoring its performance) to encourage its best service and to lower total transaction costs throughout the entire process of acquiring or selling the stock.

#### **B. Aggregating (Block) Trading for Multiple Client Accounts**

MAYO may choose, but is not required, to aggregate client orders consistent with its policy of seeking best price and execution. Clients participating in an aggregated order participate at the average share price. If an aggregated order is filled in its entirety, it is allocated to client accounts according to the MAYO trade allocation policy. If an order is partially filled, it is allocated on a pro rata basis. The lack of available cash in an account will preclude its inclusion in an investment otherwise suitable for the client. Also, to the extent that the limited availability of a security would result in a de minimis allocation, MAYO may exclude one or more accounts from participating in the order. When aggregating orders, MAYO seeks to avoid favoring any client account over any other client account.

### **Item 13: Review of Accounts**

#### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

All client accounts, including those invested in separate accounts, MCP Fund, L.P., Mayo Capital Partners Offshore Fund, Ltd., and MCP Global Values Fund, L.P. are reviewed at least quarterly by the senior investment personnel. Accounts are also reviewed at any time a client requests a review. Reviews include a summary of relevant market conditions that have affected the account since the last reporting period and that may affect an account in the future.

#### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

We may review our clients' account more frequently than described above. Among the factors which may trigger an ad hoc review are major market conditions or economic events, requests by the client, etc.

#### **C. Content and Frequency of Regular Reports provided to**

Monthly reports are furnished to clients and reflect transactions during the period, portfolio holdings at the end of the period, market values, and investment performance including, if applicable, performance relative to a benchmark.

## **Item 14: Client Referrals and other Compensation**

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Client**

MAYO does not receive any economic benefit, directly or indirectly, from any third party for advice rendered to MAYO clients.

### **B. Compensation to Non-Advisory Personnel for Client Referrals**

MAYO does not directly or indirectly compensate any person for client referrals.

## **Item 15: Custody**

All separate accounts are held in custody by unaffiliated broker/dealers or banks selected by each client. MAYO does not have custody of the assets of the majority of its separate account clients. MAYO is deemed to have custody of a small group of separate account clients whom have requested that MAYO directly debit management fees from the client's account. The custodians of the separate accounts generally distribute their statements monthly. MAYO provides its statements monthly to each separate account client. Clients should carefully review their custodial statements to compare them to the statements provided by MAYO.

The assets of the Investment Funds are held at an unaffiliated qualified custodian.

## **Item 16: Investment Discretion**

MAYO manages client portfolios on a discretionary basis. Clients grant MAYO discretion over their account by providing authorization in the investment management agreement. This discretionary authority authorizes MAYO to determine the securities to be bought or sold, the amount of securities to be bought or sold, the broker/dealer used to execute trades and the commission rate paid by clients. Investment discretion is limited only by specific instructions, guidelines and/or mandates provided by clients in writing and to which MAYO agrees.

## **Item 17: Voting Client Securities**

MAYO votes the proxies of the majority of its clients. MAYO as a matter of policy and as a fiduciary to our clients has responsibility for voting proxies for portfolio securities consistent with the best economic interests of the clients. Our firm maintains written policies and procedures as to the handling, research, voting and reporting of proxy voting and makes appropriate disclosures about our firm's proxy policies and practices. Our policy and practice includes the responsibility to monitor corporate actions, receive and vote client proxies and disclose any potential conflicts of interest as well as making information available to clients about the voting of proxies for their portfolio securities and maintaining relevant and required records. As part of our policy we have entered into a service agreement with an independent third party to vote client proxies. RiskMetrics Group (RMG) is our independent third party proxy voting service provider. MAYO subscribes to the RiskMetrics Group policy for proxy voting. MAYO retains the right to override any RMG recommendation that we believe is not in the best interest of our clients.

## **Item 18: Financial Information**

Not applicable.