
Clarity Holdings, LLC
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Part 2A

May 30, 2012
(Amended)

This Brochure provides information about the qualifications and business practices of Clarity Holdings, LLC [“ADVISER”]. If you have any questions about the contents of this Brochure, please contact us at 312-628-6712 and/or kmerkle@clarity-holdings.com. 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.

Clarity Holdings, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Clarity Holdings, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

Annual Update

Clarity Holdings, LLC is providing this information as part of our annual updating amendment which contains material changes from our last annual update. This section discusses only material changes since the last update which most occurred in September, 2010.

Material Changes Since Last Update

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules.

As of May 25, 2012, there are no material changes since our last brochure dated March 31, 2012.

Currently, our Brochure may be requested by contacting Kathleen Merkle at 312-628-6712 or kmerkle@clarity-holdings.com.

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Item 4 – Advisory Business

Clarity Holdings, LLC, founded in 2007 (f/k/a Third River Capital Management, LLC) is a privately held investment advisor. The firm seeks to manage its client portfolios primarily on a discretionary basis. The firm also hires outside investment managers. Unless a client notifies the Advisor in writing of specific objectives or restrictions, accounts will reflect a model portfolio.

Principal Owners

Robert H. Harper and Kevin Silverman

Assets Under Management

As of December 31, 2011, Adviser had \$54m of assets under management.

Item 5 – Fees and Compensation

The specific manner in which fees are charged by Clarity Holdings is established in a client's written agreement with Adviser. Fees charged will be 2% of assets under management. All fees are negotiable at the sole discretion of the advisor. Fees will be charged quarterly in advance, however, fees may be charged in arrears per a client preference/request. If fees are charged in advance, they will be prorated to exclude charges for any period in the quarter during which no supervisory services were provided due to the account initiation or termination during a calendar quarter.

Advisory Fees are based on the fair market value of the client's account under management, as described in the Investment Management Agreement, including cash or equivalents held for investment and reflecting accrued interest, receivables and payables on the last business day of the previous calendar quarter-end period (March 31, June 30, September 30 and December 31) market values and are due and payable 10 days after the beginning of the next quarter.

Fees are not based upon a share of capital gains or capital appreciation of a client's portfolio, funds, or any portion of a client's account.

Other Fees

Clients may incur other brokerage, custodian or transaction fees not affiliated with Clarity Holdings, LLC. Please refer to the Brokerage Section of this brochure for more information.

In Illinois, unless a client has received the firm's disclosure brochure at least 48 hours prior to signing the investment advisory contract, the investment advisory contract may be terminated by the client within five (5) business days of signing the contract without incurring any advisory fees.

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

Clarity Holdings, LLC does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 – Types of Clients

Clarity Holdings, LLC provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, foundations and private investment funds. The account minimum is \$1m for separately managed accounts. Account minimums may be waived under firm discretion due to asset mix, client guidelines/restrictions or relationship.

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

Clarity Holdings' investment strategies focus on value investing. Management interviews are conducted to learn as much as possible about a company and its business in order for Adviser to make best estimate of company's underlying intrinsic value. Questions focus on current status of the company's products, revenues, cost structure and financial condition. The nature of its industry and its competitive advantages or disadvantages must be discussed. In selecting outside managers, consideration is given to education, experience, performance, fees and service levels. Critically important is understanding management's specific strategy to lead the company to an improving return on its invested capital and a judgment as to the strategy's likely success.

Clarity Holdings is developing an investment strategy that will be offered to clients in the future that includes the ability to sell securities short, *i.e.*, the sale of borrowed securities. In order to sell a security short, Advisor must, on the relevant account's behalf, borrow the security from a securities lender and deliver it to the buyer. Adviser is then obligated, on behalf of such account, to return the security to the lender at its request (although Adviser remains free to return the security to the lender at any time prior to the lender's request).

A short seller ordinarily fulfills its obligation to return a security previously sold short by acquiring it in the open market. A short sale by Adviser ordinarily involves a judgment on its part that, subsequent to the sale, the price of the security will fall over time, resulting in profits equal to the difference between the net proceeds of the sale and the cost of acquiring the security (or a security exchangeable for or convertible into such security) at a later date to fulfill the obligation to return the security to the lender.

The principal risk in selling a particular security short is that, contrary to Adviser's expectation, the price of the security may rise, resulting in a loss equal to the difference between the cost of acquiring the security (for return to the lender) and the net proceeds of the short sale. (This risk of loss is theoretically unlimited since there is theoretically no limit on the price to which the security sold short may rise.) Another risk is that the short seller may be forced to unwind a short sale at a disadvantageous time for any number of reasons.

Adviser may sell certain securities short that it holds on a "long" basis for other client accounts (although Adviser does not expect this to happen regularly) in the event that it determines that the short term and long term prospect for a particular security are materially different. This may create a conflict of interest for Adviser in providing what may otherwise look like conflicting advice.

Risk of Loss

Investing in securities involves an inherent risk of loss that clients should be prepared to bear.

Item 9 – Disciplinary Information

Clarity Holdings has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

In September 2010, Third River Capital Management, LLC (the former name of Clarity Holdings, LLC), conveyed its ownership in the Third River All Cap Value Fund, LP to Dearborn Partners, LLC, and then changed its name to Clarity Holdings, LLC. *In December 2011, the Third River All Cap Fund was liquidated. Termination of LP filed and confirmed on 2/22/12.*

Robert Harper has a minority ownership interest in Redwood Partners, LLC. He is a limited partner in Redwood Partners, LP, a partnership investing exclusively in financial institutions.

Blake Harper has a minority ownership interest in Redwood Partners, LLC, which serves as a General Partner to Redwood Partners, LP. Blake also provides consulting services to Redwood with regard to equities in the financial sector.

Other Affiliations

The firm may receive research materials from one or more broker-dealers as a result of the brokerage that it directs to that broker-dealer. The advisor will use all such research materially equally for all its clients as applicable to any client's portfolio.

Item 11 – Code of Ethics

Clarity Holdings has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading and personal securities trading procedures, among other things. All supervised persons at Clarity Holdings must acknowledge the terms of the Code of Ethics annually, or as amended.

As a fiduciary, the Adviser owes a duty to each client to treat that client's interests as having priority to the adviser's own interests. Associates provide copies of their investment activities to keep on file for review. The firm has a Code of Ethics, which details restrictions on proprietary trading and prohibiting the use of insider information, among other points.

In order to avoid conflict of interest, the Code of Ethics requires that all associates must receive pre-approval from the Chief Compliance Officer or Compliance Manager for all trades. In order to enforce the prohibition against the use of Insider Information, all access persons must provide the Compliance Officer with copies of all trade confirmations and account statements.

Officers, owners and other associates of Clarity Holdings, LLC may, from time to time, purchase for their own account securities that are similar to, the same as, or the opposite of those positions they recommend to any client, dependent upon differing financial goals and risk tolerances, among other factors.

Access to client information is protected by security passwords to computers and software, segregation of files in locked cabinet and office. Daily backups of all records to off-site location are also password protected.

Clarity Holdings' clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Kathleen Merkle.

Item 12 – Brokerage Practices

Selecting Brokerage Firms

Clarity's decision-making process to achieve best execution (overall value to the client which includes price, ability to execute and service) is based on past experience, reputation and recommendations.

The Adviser will endeavor to obtain the best commission rate. However, if directed to trade with a particular broker, the client may or may not pay a higher commission rate than other accounts that have not directed to trade with a particular broker.

Where one or more broker or dealer is believed to be capable of providing the best combination of price and execution with respect to a particular portfolio transaction, the firm may select a broker or dealer which provides the firm with research products and/or services which the firm, in turn uses to provide service to clients. Research may include research reports on companies, industries and securities, economic and financial data, including reports on macro-economic trends and monetary and fiscal policy, analytical and market information systems, financial publications, computer databases, research-oriented software and services.

The reasonableness of brokerage commissions is evaluated on an ongoing basis in light of the general level of commissions being paid, the services being provided and the value of the research received. Accordingly, when we use client brokerage commissions to obtain research, we receive a benefit because we do not produce or pay for the research. Therefore, we may have an incentive to select or recommend a broker-dealer based on our interest in receiving research rather than receiving the most favorable execution on behalf of the client.

Trade Error Policy

Each custodian has respective Trade Error policies, which our firm recognizes.

Fidelity – Clarity Holdings has a Master account created in the name of the company. The Master Account is a conduit account to receive fees and possibly gains or losses from trade corrections. Advisors will receive a separate statement for the Master account on a monthly basis. Trades are not placed in the Master account.

Schwab – Clarity Holdings has a Master account created in the name of the company. The Master Account is a conduit account to receive fees and possibly gains or losses from trade corrections. If an investment gain results from a trade correction, the gain will remain in the account unless the same error involved client accounts and should have also received the gain. It is not permissible to retain the gain. If the gain does not remain in your account and Charles Schwab is the custodian, Schwab will donate the amount of any gain \$100 or more to charity. If a loss occurs greater than \$100, Advisor will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they may be netted.

Research and Soft Dollars

Research furnished by broker-dealers or independent research firms may be used in providing service to any or all of the clients of the firm and may be used in connection with accounts other than those which pay commissions to the broker-dealer providing the research. We use soft dollars to pay for research software and services which provide relevant news stories on the securities we are covering.

Currently, Fidelity is providing Clarity Holdings with certain brokerage and research products and services that qualify as “brokerage or research services” under Section 28(e) of the Securities Exchange Act of 1934 (“Exchange Act”).

Item 13 – Review of Accounts

Robert Harper, Chairman, Kevin Silverman, Managing Partner, Blake Harper, CFO and/or Kathleen Merkle (CAO & CCO) are the persons who perform reviews of clients’ portfolios. Reviews are conducted daily on an ongoing basis for all accounts taken as a whole; specific accounts are reviewed at least monthly. Among the factors that may trigger more frequent reviews, we include:

1. larger shifts in the valuation or market share of any security in which a client may be invested;
2. economic changes on an industry, national or international basis that we deem likely to effect investments;
3. any changes in a client’s financial goals, position or risk tolerance that a client brings to our supervisor’s attention.

Clients receive the following reports:

1. Custodians provide client with confirmations and monthly statements (minimum quarterly if no investment activity has occurred).
2. Clarity Holdings will send quarterly reports to clients which discusses the management's view of the outlook of the equity markets.

Item 14 – Client Referrals and Other Compensation

Clarity Holdings does not receive any economic benefit from non-clients for providing advisory services to clients.

Item 15 – Custody

For separately managed accounts, we are considered to have custody of the funds due to the fact that the firm has the ability to deduct fees directly from the account. Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Clarity urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

Clarity Holdings receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. Clients may place restrictions on the type and amount of securities on an individual, industry and sector basis within their portfolio.

In order to allow the firm to have discretionary authority, clients sign an Investment Management Agreement. Investment strategy is based on client suitability.

Investment guidelines and restrictions must be provided to Clarity Holdings in writing.

Item 17 – Voting Client Securities

Clients are hereby informed that the advisory firm and its representatives will assume responsibility to vote the proxy votes for any clients unless client elects to retain voting responsibility. With respect to clients for who firm votes, proxies are voted in best interest of clients. Firm usually votes in-line with management's recommendation. In circumstances where portfolio manager or investment committee believes that current management is not maximizing value for shareholders, the firm reserves the right to vote against recommendation of management. In the remote event a vote under consideration poses a material conflict between the interests of Clarity partners and those of clients, the firm will vote in line with management.

Our clients may request a copy of the proxy voting record for their account at any time. If such request is made, we will forward the record to the client. We will maintain a copy of the Proxy Voting Policy and Procedures and related records for a period of 5 years. Records include (1) proxy statements received; (2) a record of vote cast (3) a copy of client written request for proxy voting records and (4) firm response to any client request for proxy records.

Item 18 – Financial Information

Prepayment of Fees

Clarity Holdings does not require or solicit prepayment of more than \$1,200 per client, 6 months or more in advance.

Financial Condition

There is no financial condition that would impair our ability to meet contractual commitments to our clients.

Bankruptcy

Clarity Holdings has not filed for bankruptcy at any time during its existence.

Item 19 – Requirements for State-Registered Advisors

A. 1. Robert H. Harper, Managing Partner .

University of Illinois: BBA – Finance, Northwestern University: MBA – Finance. In 2007, he co-founded Clarity Holdings, LLC (f/k/a Third River Capital Management). In 2004, he co-founded Two Rivers Capital Management, LLC. Prior to 2000, he was Director of Equity Research at Harris Associates/Oakmark Funds.

2. Kevin E. Silverman, Managing Partner.

University of Wisconsin-Madison: BBA-Finance & Marketing, MS-Finance. In 2007, he co-founded Clarity Holdings, LLC (f/k/a Third River Capital Management). In 2004, he co-founded Two Rivers Capital Management, LLC. From 2001 – 2004, he was part of a 5-person team managing the \$3 billion ABN/AMRO Large Cap Growth Fund.

3. Blake E. Harper, CFO

Colgate University: BA-Economics & Political Science, University of Chicago Graduate School: MBA with Honors. In 1007, he joined Clarity Holdings, LLC (f/k/a Third River Capital Management). Prior to 2007, he founded Raceline Motorworks, an experiential retailer and entertainment company.

4. Kathleen M. Merkle, CCO

Saint Xavier University: BA-Finance. In 2007, she joined Clarity Holdings, LLC (f/k/a/ Third River Capital Management). Prior to 2007, she was a Sales Assistant at William Blair & Company.

B. The firm is not involved in any other business outside of investment advice.

C. The firm does not charge performance-based fees; therefore, there is no performance-based compensation.

D. As of brochure date, there has been no involvement by management persons in an arbitration claim or civil claim/award.

1. (a) – (e). Not Applicable

2. (a) – (e). Not Applicable

E. All relationships are listed in Item 10.