

# Vetia, Inc.

## Part 2A of Form ADV

### The Brochure

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This brochure provides information about the qualifications and business practices of Vetia, Inc. and its affiliates (collectively, “Vetia” or the “Firm”). Additional information about Vetia is also available on the United States Securities and Exchange Commission’s (“SEC”) website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). If you have any questions about the contents of this Brochure, please contact Vetia’s Chief Compliance Officer at 973-301-0930.

Vetia is registered as an investment adviser with the SEC under the Investment Advisers Act of 1940 (the “Advisers Act”), as amended. Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

## **Item 2. Material Changes**

There have been no material changes in the time period covered by this brochure, however, clients and prospective clients should read this Brochure carefully in its entirety.

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## **Advisory Business**

Vetia is a Delaware corporation founded in 1991. Vincent E. Teti is the founder and principal owner of Vetia. Vetia assists clients in asset allocation and the selection of private investment vehicles (such as limited partnerships and limited liability corporations), exchange traded funds and mutual funds. Vetia provides monitoring and periodic analysis and reporting with respect to a client's investment managers and investment funds. Vetia does not recommend specific securities, other than interests in specific private investment funds, exchange traded funds or mutual funds, nor does Vetia have authority to make any investment decision on behalf of any client other than the limited partnership Fairmount Partners, L.P. ("Fairmount").

As of December 31, 2012, Vetia managed \$140,707,064 on a non-discretionary basis on behalf of its clients and \$1,015,721 on a discretionary basis in Fairmount.

## **Fees and Compensation**

### **Management and Performance Fees**

Vetia charges its clients a fee which may be a fixed periodic fee or may be a percentage of the client's invested assets. Fees that are asset based are payable quarterly in advance based on the net asset value of the last day of the preceding quarter. The fee for each client is separately negotiated, and may vary depending on a number of factors, including, but not limited to, the aggregate amount of assets invested, the number or different types of investments, and the frequency and level of analysis of investments requested by the client. Advisory agreements may be terminated at any time by the client upon a fixed period of prior notice to Vetia. Fees are prorated as of the effective date of termination and if paid in advance, the client is entitled to a return of any unearned fees.

Although Vetia is permitted to do so under the Fairmount's Partnership Agreement, Fairmount is not currently charged a management fee. Rather, time spent on Fairmount matters is billed on an hourly basis as an expense of the partnership and billings are reviewed quarterly by an independent accounting firm for reasonableness.

All current clients should review their advisory agreement in conjunction with this brochure for more complete information on the fees and compensation payable with respect to a particular client.

## **Performance Based Fees and Side by Side Management**

Vetia charges no performance based fees.

## **Types of Clients**

Vetia provides investment advisory services to its clients. Investment advice is provided directly to each client. Investors advised by Vetia may include but are not limited to high net worth individuals, pension plans, endowments, foundations, and corporate or business entities.

## Methods of Analysis, Investment Strategies and Risk of Loss

### Method of Analysis and Investment Strategies

The primary investment which Vetia recommends to clients are private investment funds that are exempt from registration under Section 3(c)(7) or 3(c)(1) of the Investment Company Act of 1940 (“Hedge Funds”). Vetia advises clients on how to structure and implement portfolios of Hedge Funds. These portfolios are usually comprised of a limited number of Hedge Funds as Vetia believes that over-diversification can significantly reduce returns without a comparable reduction in the volatility of the portfolio.

*Hedge Fund Portfolios* Hedge Funds are recommended with a conscious effort to diversify across strategies and asset classes. Hedge Funds recommended by Vetia may have net long or short exposure to equity or fixed income markets, however, Vetia seeks to assemble a portfolio for each client that exhibits attractive risk adjusted returns over a full market cycle.

Hedge Funds are only recommended after a lengthy due diligence process based on an evaluation of, among other factors, a Portfolio Manager's character, judgment, investment strategy, proven track record, trading and risk management. When seeking new investment opportunities, Vetia has a preference for Portfolio Managers that are focused on investing as opposed to asset gathering, tend to have limited capacity, and in which the principals maintain a significant investment. Additionally, there is a preference for niche strategies where limited competition and/or assets dedicated to the strategy exist. Finally, Vetia looks for a solid and cohesive organization.

Vetia may consider start-up and emerging Portfolio Managers as well as more established Portfolio Managers. Vetia may pursue niche strategies that may or may not be widely followed or understood. Vetia's network of relationships and experience provides clients with opportunities to invest in unique or lesser known strategies. Vetia believes these types of strategies have the potential to produce strong risk-adjusted returns.

Vetia believes that an additional source of potential performance is strategic asset allocation. This could include the under or overweighting of exposure to a particular strategy based on future return expectations, structural changes or flows of capital. In addition to focusing on a bottom up analysis of each Portfolio Manager, Vetia also develops a top-down/macroeconomic viewpoint and ensures each client is cognizant of this view. Vetia believes that an understanding of macroeconomic factors is essential to the selection of Portfolio Managers who can generate strong risk-adjusted returns and protecting capital in difficult market environments.

### Risk of Loss

*Operating History.* Hedge Funds recommended by Vetia may have a limited operating history upon which to evaluate their future performance. The past investment performance of any of the Portfolio Managers recommended to a client should not be construed as an indication of the future results.

*Dependence on the Portfolio Managers and Vetia Recommendations.* The success of the Hedge Funds recommended by Vetia is sometimes dependent on the investment performance of an individual Portfolio Manager as well as the ongoing ability of Vetia to select and recommend effective allocation of the client's assets among Portfolio Managers. For example, a Portfolio Manager's inability to effectively hedge an investment strategy may cause the assets the client has invested with such Portfolio Manager to significantly decline in value and could result in substantial losses to the client. In addition, subjective decisions made by Vetia or the Portfolio Managers may cause the client to incur losses or to miss profit opportunities on which it may otherwise have capitalized

A successful client portfolio will also depend on the ability of Vetia to identify and recommend implementation of investment strategies that achieve the client's investment objective. Although Vetia may recommend an allocation of the assets of the client to Portfolio Managers who use different investment strategies, there can be no assurance that market or other events will not have an adverse impact on the strategies employed by multiple Portfolio Managers.

*Business and Regulatory Risks of Hedge Funds.* Legal, tax, and regulatory developments could occur that may adversely affect a client's portfolio of Hedge Funds. Further, the regulatory environment for Hedge Funds is evolving, and changes in the regulation of hedge funds may adversely affect the value of investments held by the client or the ability of the Portfolio Managers to pursue their respective trading strategies.

*Limited Liquidity.* An investment in Hedge Funds provides limited liquidity since interests/shares are not freely tradable and generally an investor has limited rights to withdraw/redeem all or a portion of its interests/shares.

*Independent Portfolio Managers.* The recommended Portfolio Managers generally invest wholly independently of one another and may at times hold economically offsetting positions. It is also possible that the performance of certain Portfolio Managers may be closely correlated in some market conditions, resulting (if those returns are negative) in significant losses to a client's portfolio.

*Proprietary Investment Strategies.* A Portfolio Manager may use proprietary investment strategies that are based on considerations and factors that are not fully disclosed to Vetia or the client. These strategies may involve risks under some market conditions that are not anticipated by the Portfolio Manager or Vetia. The strategies employed by the Portfolio Managers may involve significantly more risk and higher transaction costs than more traditional investment methods. Vetia generally seeks to reduce these risks by recommending a limited percentage of a client's portfolio be allocated to such strategies as well as recommending Portfolio Managers using investment strategies with returns that are not expected to be highly correlated with one another.

There may be additional risks to investing in Hedge Funds recommended by Vetia which are not covered above. Clients and prospective clients should carefully consider the risks outlined in each recommended investment's Private Placement Memorandum before deciding to invest.

## **Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or investor's evaluation of the adviser or the integrity of the adviser's management. Neither Vetia nor any of its officers, directors, employees or other management persons, have been involved in any legal or disciplinary events that would require disclosure in response to this Item.

## **Other Financial Industry Activities and Affiliations**

### *Pooled Investment Vehicles*

Vetia organized and sponsored Fairmount, which is a private investment company exempt from registration under 3(c)(1) of the Investment Company act of 1940. This pooled investment vehicle is managed by which is VETIA Capital, L.L.C("GP Entity"). Vincent E Teti is the Managing Member of VETIA Capital L.L.C. and the sole owner of Vetia, thus these two entities are considered to be under common control. Vetia or the GP Entity will be responsible for all decisions regarding portfolio transactions of Fairmount and has full discretion over the management of Fairmount's investment activities. While the GP Entity is not separately registered as an investment adviser with the SEC, all of its investment advisory activities are subject to the Advisers Act and the rules thereunder. In addition, employees and persons acting on behalf of the GP Entity are subject to the supervision and control of Vetia. Thus, the GP Entity, all of its employees and the persons acting on its behalf would be "persons associated with" the registered investment adviser so that the SEC could enforce the requirements of the Advisers Act on the GP Entity.

Fairmount is currently in liquidation. As capital is returned to the partnership, it is aggregated and distributed to limited partners.

### *Material Relationships or Arrangements with Industry Participants*

At this time principals and employees of Vetia have no material relationships or arrangements with industry participants.

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

Vetia has developed and adopted a Code of Ethics that is applicable to all employees. Vetia's Code of Ethics is predicated on the principle that Vetia owes a fiduciary duty to its clients. Among other things, the Code of Ethics requires employees to:

- Act as fiduciaries, putting the interest of clients ahead of the interests of the Firm and its employees and fully disclosing all material conflicts of interest;
- Comply with all applicable laws and regulations;
- Periodically report personal securities transactions and obtain pre-clearance before

- personally trading in certain types of securities , and
- Promptly report any suspected violation of the Code of Ethics to the Chief Compliance Officer.

Employees are required to pre-clear all personal securities transactions. To mitigate any potential appearance of conflict, employees are prohibited from investing in the securities of companies that issue or currently have high yield debt. The CCO or his designee is responsible for reviewing the personal securities transaction reports submitted by employees.

A copy of Vetia's Code of Ethics is available to current and prospective investors upon request.

## **Brokerage Practices**

Vetia does not effect portfolio transactions on behalf of its clients. Vetia recommends to Vetia's sole discretionary client is Fairmount invests only in private investment funds that are exempt from registration under Section 3(c)(7) or 3(c)(1) of the Investment Company act of 1940.

## **Review of Accounts**

Vetia provides to clients on at least a quarterly basis, a summary report of the client's portfolio along with Vetia's current view of the portfolio and underlying managers. In addition to this reporting, Vetia may provide more frequent reports as requested by the client.

Further, all investments recommended to clients are reviewed on a regular basis by Veita investment, and operations personnel. These reviews consider diversification, performance, asset levels, and operational due diligence. The reviews of recommend investments are performed to assure conformity with the objectives and/or guidelines outlined when the investment was recommended or initiated

For investors in Fairmount, Vetia provides a capital account statement on a quarterly basis, and it includes detailed account balances and return information. On an annual basis, investors are sent the annual audited financial statements prepared by Spicer Jeffries and their individual Schedule K-1.

## **Client Referrals and Other Compensation**

Vetia currently has no client referral or other compensation arrangements.

## **Custody**

Vetia does not have custody with respect to any non-discretionary advisor account.

For the sole non-discretionary account, Fairmount, limited partners will not receive statements from a custodian, rather Fairmount is subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company

Accounting Oversight Board. The audited financial statements are prepared in accordance with generally accepted accounting principles and distributed to each limited partner as soon as practicable following Fairmount's fiscal year end.

## **Investment Discretion**

With the exception of the liquidating partnership, Fairmount, Vetia does not have discretionary authority to determine, the securities and amount to be bought or sold for clients. That authority remains with the client as detailed in each Client Advisory Agreement.

## **Voting Client Securities**

Vetia generally does not engage in proxy voting and in 2011 did not have occasion to vote any proxy. In the rare instance where Vetia has the discretion to vote the proxies of its clients, it will vote those proxies in the best interest of its clients. Generally, Vetia will vote in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors and increases in or reclassification of common stock. Generally the Vetia will vote against proposals that make it more difficult to replace members of the issuer's board of directors, including proposals to stagger the board, cause management to be overrepresented on the board, introduce cumulative voting, introduce unequal voting rights, and create supermajority voting. For other proposals, Vetia will determine whether a proposal is in the best interests of its clients and may take into account the following factors among others: Whether the proposal was recommended by management and Vetia's opinion of management; and whether the proposal fairly compensates management for past and future performance.

It is the responsibility of the Chief Compliance Officer to identify any conflicts that exist between the interest of Vetia and its clients. If a material conflict exists, Vetia will either vote the proxy in the best interest of the client or when appropriate, disclose the conflict to affected clients and give the client the opportunity to vote the proxies themselves.

Vetia maintains a record of all proxy votes cast on behalf of its clients. Investors may contact Vetia for a copy of the policy or information with respect to a specific proxy vote.

## **Financial Information**

Vetia has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.