

BROCHURE OF
Verity Advisors, LLC

A Delaware limited liability company registered with the Securities and Exchange
Commission as an Investment Adviser (CRD # 137607)

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THIS BROCHURE PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND BUSINESS PRACTICES OF VERITY ADVISORS, LLC. IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS BROCHURE, PLEASE CONTACT US AT 908-647-1260 OR TIM@VERITYADVISORS.COM.

NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION, NOR THE STATE OF DELAWARE, NOR ANY STATE SECURITIES AUTHORITY, HAS PASSED UPON THE ADEQUACY OR ACCURACY OF THIS BROCHURE. REGISTRATION AS AN INVESTMENT ADVISER DOES NOT IMPLY A CERTAIN LEVEL OF SKILL OR TRAINING. ADDITIONAL INFORMATION ABOUT VERITY ADVISORS, LLC ALSO IS AVAILABLE ON THE SEC'S WEBSITE AT WWW.ADVISERINFO.SEC.GOV.

The date of this Brochure is

March 29, 2011

The delivery of this Brochure at any time does not imply that the information contained herein is correct as of any time subsequent to the date shown above. This Brochure will supersede all other such documents containing information about our Firm.

Material Changes

There are no material changes to report regarding our advisory business.

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I. Part 2A – FIRM BROCHURE

Item 4. Advisory Business:

- (A) **Operational and Organizational Information:** Verity Advisors, LLC (“Firm”), a Delaware limited liability company, is an investment adviser registered with the U.S. Securities and Exchange Commission (“SEC”). As stated on the cover page of this Brochure, registration as an investment adviser does not imply a level of skill or training. Firm has been in business since September 2000. The principal owner of Firm is John J. O’Rourke.
- (B) **Types of Advisory Services Offered:** Firm provides investment management services relating to pooled investment vehicles that invest primarily in publicly traded equity and debt securities, currently Verity Investment Partners, LP, a Delaware limited partnership (the “Partnership”). Firm also provides investment management services to separately managed accounts according to the terms of the investment management agreement with such clients. For a separately managed account, Firm assists the client in determining its investment objectives and needs, and the account is managed in accordance with those objectives and needs. Note: for purposes of this Brochure, “Client” may include a pooled investment vehicle, investors in such a vehicle (also called “Investors”), and separate account clients.

Firm does not hold itself out as specializing in a particular type of advisory service. Please review Firm’s investment guidelines, specified below under “Client Investment Guidelines and Parameters.”

- (C) **Client Investment Guidelines and Parameters:** Advisory services include among other things, providing advice regarding asset allocation and the selection of investments. Decisions relating to investment advice are based on an analysis of the merits of the investment involved and on the investment guidelines and restrictions of the Client. Firm provides discretionary investment advisory services to all fee paying Client accounts. Firm may trade and invest in a wide variety of investments, domestic and foreign, of all kinds and descriptions, whether publicly traded or privately placed, including but not limited to common and preferred stocks, bonds and other debt securities, convertible securities, limited partnership interests, mutual fund shares, options, warrants, futures, derivatives (including swaps, forward contracts and

structured instruments), monetary instruments, other financial instruments, cash and cash equivalents.

The following is a general description of the principal types of trades and investments which Firm currently contemplates engaging in, certain techniques that it may employ, the investment criteria that it plans to apply, and the guidelines that it has established regarding the composition of its investment portfolios. The following description is merely a summary and you should not assume that any descriptions of specific activities are intended in any way to limit the types of investment activities Firm may undertake. Firm will invest and trade in a wide variety of securities and financial instruments, including but not limited to, non-investment grade corporate bonds (generally those rated below BBB- or unrated), publicly traded and privately placed equity securities of issuers of high yield debt, corporate convertible bonds, distressed corporate bonds, bank debt, call and put options and other investments, all as determined by Firm, in its sole and absolute discretion. Firm's investment objective is to create a portfolio of risk-adjusted investments that optimizes total return (income + capital appreciation) while retaining an emphasis on the preservation of capital. Firm attempts to realize its objective through investment primarily in securities of non-investment grade issuers that Firm believes have superior risk/return characteristics, satisfactory fundamentals, upside appreciation potential and whose issuers are capable of meeting their obligations to their creditors. No assurance can be given, however, that Firm will achieve its objective.

(D) **Wrap Fee Programs:** Firm does not participate in wrap fee programs.

(E) **Client Assets Under Management:** *(rounded to the nearest \$100,000)*

(i) Discretionary: \$23,100,000 as of March 11, 2011.

(ii) Non-discretionary: \$0 as of March 11, 2011.

Item 5. Fees and Compensation:

(A) **Generally:** All fees are individually negotiated. Circumstances considered when negotiating fees may include, without limitation, customary market rates, specialized guidelines, and other performance or incentive allocation or fee arrangements with the Client.

Management fees for pooled investment vehicles and separately managed accounts are calculated based on a percentage of the value of the assets under management (referred to herein as “Management Fees”).

In addition, Firm may collect incentive allocations and/or fees based on the performance of investments. Please refer to Item 6, below, for a more detailed description of performance or incentive allocations and/or fees and related conflicts of interest.

- (B) **Payment of Fees:** Management Fees are billed periodically as specified in the relevant investment management agreement or applicable pooled vehicle transaction document.

For its services to the Partnership, Firm shall receive a Management Fee equal to 0.375% of assets under management per quarter (approx. 1.5% per year) of each Investor’s share of the Partnership’s net asset value. The Management Fee shall be deducted quarterly *in advance* and calculated as of the first day of each quarter. A *pro rata* Management Fee will be charged to Investors on any amounts permitted to be invested during any quarter. Firm, in its sole discretion, may waive or reduce the Management Fee with respect to one or more Investors for any period of time, or agree to apply a different Management Fee for that Investor.

- (C) **Additional Fees and Expenses:** The Partnership shall pay or reimburse Firm and/or its affiliates for all expenses related to organizing the Partnership, including, but not limited to, legal and accounting fees, printing and mailing expenses and government filing fees (including blue sky filing fees).

The Partnership shall pay or reimburse Firm for the following expenses: (A) all expenses incurred in connection with the ongoing offer and sale of Interests, including but not limited to marketing expenses, printing of memoranda and exhibits, documentation of performance and the admission of Investors; (B) all operating expenses of the Partnership such as tax preparation fees, governmental fees and taxes, insurance, administrator fees, communications with Investors, and ongoing legal, accounting, auditing, bookkeeping, consulting and other professional fees and expenses; (C) all Partnership trading and investment related costs and expenses (e.g., brokerage commissions, margin interest, expenses related to short sales, custodial fees and clearing and settlement charges); and (D) all fees to protect or preserve any investment held by the Partnership, as determined in good faith by

Firm; and (E) all fees and other expenses incurred in connection with the investigation, prosecution or defense of any claims by or against the Partnership. Firm, in its sole discretion, may from time to time pay for any of the foregoing Partnership expenses or waive their right to reimbursement for any such expenses, as well as terminate any such voluntary payment or waiver of reimbursement.

Separately managed account Clients will also bear any agreed upon expenses as set forth in the relevant investment management agreement.

- (D) **Fees Paid in Advance:** For the Partnership, the Management Fee is payable quarterly *in advance*. For a separately managed account, Management Fees are billed as specified in the relevant investment management agreement.

Termination of Services:

Partnership Clients may not make any withdrawals for a period of 12 months after the related capital contribution was made (“Lock-Up Period”). If a Client makes an investment on multiple dates, each investment will be tracked separately for purposes of the Lock-Up Period, and withdrawals will be deemed made from the investment made on the earliest date. After the expiration of the Lock-Up Period, a Client may withdraw funds (with a minimum withdrawal figure of \$50,000) as of the last day of any quarter, upon at least 30 days’ prior written notice, or otherwise as Firm may determine in its sole discretion.

Firm and a separately managed accounts Client may terminate the investment services agreement according to the terms of the applicable agreement.

- (E) **Additional Compensation of Supervised Persons:** No supervised person accepts compensation for the sale of securities or other investment products.

- (i) This practice presents a conflict of interest and gives Firm or its supervised persons an incentive to recommend investment products based on the compensation received, rather than on a particular Client’s needs. Firm endeavors to disclose herein all conflicts of interest which could impair the rendering of unbiased and objective advice. Lower fees for comparable services may be available from other sources. N/A

- (ii) All Clients have the option to purchase investment products that Firm recommends through other brokers or agents that are not affiliated with Firm and/or not used by Firm. N/A
- (iii) If commissions provide more than 50% of Firm's revenue or compensation, disclose: N/A
- (iv) Firm does/does not reduce advisory fees to offset the commissions and/or markups that it receives, as follows: N/A

Item 6. Performance Based Fees and Side-by-Side Management:

Partnership: In addition to the Management Fee, Firm is compensated for its investment management services through an incentive allocation and/or fee, also known as a performance-based allocation and/or fee ("Performance Fee"). Under this arrangement, a Client will be charged a fee contingent upon the performance within the Client's account. The Performance Fee will be tied to the capital appreciation within the account as evaluated at the end of each calendar year. The Performance Fee will be payable annually, in arrears. Firm shall also receive the Performance Fee upon any withdrawal by an Investor, whether voluntary or involuntary, and upon dissolution of the Partnership. The Performance Fee will be calculated at 20% of net capital appreciation attained within the Client's account (net of all expenses, including any commissions, etc.). Firm, in its sole discretion, may waive or reduce the Performance Fee with respect to any Investor for any period of time, or agree to modify the Performance Fee for that Investor. Firm may, in its discretion, reallocate a portion of the Performance Fee to certain Investors.

Separately Managed Accounts: Firm may receive from Clients a mutually agreed upon Performance Fee, as specified in the relevant investment management agreement. Clients who reside in the United States and who are charged Performance Fees are required to be qualified clients as defined under the Investment Advisers Act of 1940 (the "Advisers Act").

Generally: In order for Firm to receive a Performance Fee, Firm must achieve capital appreciation within the account. Firm will charge Performance Fees in adherence to a high water mark, which means that no Performance Fee will be earned unless the performance exceeds the previously achieved high water mark where Performance Fees were charged. The high water mark will be used in order to prevent a scenario whereby Firm could receive a Performance Fee merely for recouping prior losses. A full description of the entire fee arrangement will be disclosed to the Client in such Client's investment management agreement. Fees generally are deducted directly from the Client's account, as specified in

the relevant investment management agreement. Firm's receipt of Performance Fees is intended to align Firm's interests with those of Firm's Clients and to provide Firm with a greater incentive to manage assets well. The nature of the Performance Fee, however, creates a potential conflict of interest among Firm, its associated persons, and Clients.

Such fees will be structured and charged in a manner consistent with the requirements of applicable law, including the Advisers Act and ERISA. An incentive fee arrangement may create an incentive for Firm to make investments that are riskier or more speculative than would be the case in the absence of a Performance Fee. Where any part of Firm's compensation is based in part on the unrealized appreciation of securities or instruments for which market quotations are not readily available, Firm shall disclose how such securities or instruments will be valued and the extent to which the valuation will be determined independently. To the extent Firm values any such securities or instruments, it has a conflict of interest as Firm will receive higher Management Fees and Performance Fees if it gives such securities and instruments higher valuations. Firm 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 Firm may be higher or lower than the Performance Fees charged by other investment advisers for the same or similar services.

In addition, in the event that Firm manages an account from which it collects Performance Fees and also manages at the same time an account from which it does *not* collect Performance Fees, Firm has an incentive to favor accounts for which it receives Performance Fees because it will receive a greater profit from the accounts that are charged Performance Fees. Therefore, Firm has an incentive to allocate investments that are expected to be more profitable to accounts from which it collects Performance Fees, on the one hand, and that are riskier on the other hand, since in both scenarios, Firm may receive greater fees if the investment generates a positive return. Notwithstanding the foregoing, Firm does not favor accounts that pay Performance Fees.

Item 7. Types of Clients:

Firm's Clients are private investment funds and separately managed accounts whose investors are individuals and institutions. The minimum investment in the Partnership is \$1,000,000. The minimum investment for a separately managed account is typically \$5,000,000. In each case, however, Firm has discretion to accept lesser amounts.

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

(A) Methods of Analysis and Investment Strategies:

Firm's investment objective is to create a portfolio of risk-adjusted investments that optimizes total return (income + capital appreciation) while retaining an emphasis on the preservation of capital. Firm attempts to realize its objective through investment primarily in securities of non-investment grade issuers that Firm believes have superior risk/return characteristics, satisfactory fundamentals, upside appreciation potential and whose issuers are capable of meeting their obligations to their creditors. No assurance can be given, however, that Firm will achieve its objective. In an attempt to attain the Partnership's investment objective, Firm utilizes a credit intensive, bottoms-up, capital structure evaluation of non-investment grade debt issuers. Firm generally seeks the best risk/return investment amongst the securities of a given company. The Partnership's core portfolio is expected to consist of securities issued by companies believed by Firm to be upper tier improving credits with proven products, market leadership and solid management. These companies are expected to have significant business and infrastructure and may include debt secured by the assets of the company. Firm also expects to invest in high yield bonds of middle tier companies whose securities prices are event-driven, i.e., expected to appreciate due to the occurrence of a significant event such as an acquisition of the company, which may result in a credit ratings upgrade and/or a call or tender for outstanding bonds at a premium. These companies are expected to be growth companies with good management in consolidating industries.

Firm also expects to take smaller positions in lower tier companies whose bonds are believed to be trading at a substantial discount to asset value. These positions may involve companies that have defaulted on their debt obligations but which are believed to:

- have assets greater than the market value of their debt;
- have the potential for equity-type returns with a low correlation to the stock market, and;
- be candidates for a restructuring, the timing of which may be a key component of return.

To augment the Partnership's returns, Firm expects to add to the Partnership's portfolio by investing in the following types of securities that are deemed to have attractive risk/return characteristics:

- equity securities of high yield and growth companies believed to have favorable long-term revenue prospects, and;
- bank debt of high yield and distressed companies that is secured by tangible assets and believed to have good upside potential with downside protection.

In addition to diligent credit selection, Firm will employ modest leverage and sell securities short, when appropriate, in order to exploit certain opportunities and attempt to increase the Partnership's return. Firm expects to employ active risk management and constant credit monitoring of the Partnership's portfolio in order to maximize gains and minimize losses of principal.

Short Sales. The Partnership may have both long and short positions in its portfolio. This is designed, in part, as a hedging technique to reduce market risk (volatility correlated to the up and down swings of the overall market) and to take advantage of price or spread discrepancies of similar companies in a given industry. There can be no assurance, however, that this will be the case, and in fact, short selling can increase volatility. Furthermore, the ratio of long to short positions, or to other instruments such as options, shifts from time to time, perhaps significantly, depending on where Firm finds the best risk/reward opportunities. Some of the short sales effected by the Partnership may be "naked" short sales, i.e., with respect to instruments which the Partnership does not own. Accordingly, if the price of the instrument increases subsequent to the naked short sale, the Partnership will have to cover the sale by buying the instrument at a higher price than the price for which it sold the instrument.

Options. Firm anticipates that it will purchase and sell (or write) put and call options that are traded on national securities exchanges and on over-the-counter markets. A stock option is a contract that gives the owner the right to buy or sell a specific number of shares of a given stock or index or group of stocks (collectively, "stock") at a fixed price (the "exercise price") at any time until a certain date (the "expiration date"). An option conveying the right to buy stock from the option's seller (the "writer") is known as a call

option. An option conveying the right to sell stock to the option's writer is termed a put option. For the privilege of having either a put or call option, the option buyer pays a "premium" to the writer of the option. At any given time, the amount of an option's premium will be determined by a variety of factors, including the relationship between the current price of the underlying stock and the option's exercise price, the amount of time remaining before the expiration date, the volatility of the price of the underlying stock, the level and direction of interest rates and the effect of supply and demand in the market. The Partnership may enter into "closing purchase transactions" or "closing sale transactions" in order to terminate its obligations either as a writer or a purchaser of an option. The Partnership may effect a "closing purchase transaction" by buying an option of the same series as the option previously written. Likewise, if it is the purchaser of an option, the Partnership may liquidate its position by selling an option of the same series as the option previously purchased. The Partnership will realize a profit from a closing transaction if the price of the transaction is less than the premium received from writing the option or is more than the premium paid to purchase the option. Conversely, the Partnership will realize a loss from a closing transaction if the price of the transaction is more than the premium received from writing the option or less than the premium paid to purchase the option.

Other Investments. Firm may also invest some of the Partnership's assets in short-term United States Government obligations, certificates of deposit, commercial paper and other money market instruments, including repurchase agreements with respect to such obligations, to enable the Partnership to make investments quickly and to serve as collateral with respect to certain of its investments. If Firm believes that a defensive position is appropriate because of expected economic or business conditions or the outlook for securities prices, however, a greater percentage of Partnership assets may be invested in such obligations. The Partnership may also invest some of its assets in fixed income instruments of various maturities. From time to time, in the sole discretion of Firm, cash balances in the Partnership's brokerage account may be placed in a money market fund.

Other Features of the Investment Strategy

Concentration. Although Firm will generally seek to limit the position sizing of its investments, Firm believes that in order to sustain superior investment results, it may be necessary to concentrate the Partnership's portfolio from time to time in

investments that will produce high absolute returns while at the same time reducing risk to the overall portfolio. Thus, the Partnership may have limited diversification. There is no limit to the concentration or diversification the Partnership may have.

Event-Driven and Special Situation Investments. The Partnership may invest in companies based upon certain situations or events, including (but not limited to) spin-offs, mergers and acquisitions, rights offerings, restructurings and bankruptcies. Firm believes that many such special situations and events carry a high probability of indiscriminate selling or neglect of valuable assets for reasons other than a lack of investment merits.

Occasionally, the Partnership may engage in arbitrage transactions that Firm believes represent an exceptional risk/reward opportunity. Risk arbitrage opportunities generally arise during corporate mergers, leverage buyouts or takeovers. Frequently the stock of the company being acquired will trade at a significant discount to the announced deal price. This discount compensates Investors for the time value of money and the risk that the transaction may be canceled. If the discount is significantly greater than Firm's assessment of the underlying risk, the strategy may be implemented. As with options and fixed income securities, Firm intends to use event-driven investments as a tactical, opportunistic strategy and not as part of the Partnership's normal operations.

Private Placements. In addition to investing in publicly traded common equities, the Partnership may in certain cases invest in privately placed unregistered securities that do not have a readily ascertainable market value or other illiquid securities which may be valued but are not freely transferable (such privately placed and illiquid securities, collectively, "Illiquid Securities"). Investments in Illiquid Securities may be held in a separate side pocket account, at the discretion of Firm, and only those Investors who are Investors at the time the investment is made may participate in the investment.

Leverage. The Partnership may increase the number and extent of its "long" positions by borrowing (e.g., by purchasing securities on margin). Entering into short sales also increases the Partnership's use of leverage. Moreover, the amount of any borrowing by the Partnership may also be limited by regulations imposed by the Federal Reserve Board and by the availability and cost of credit.

Other Investments. Firm may also invest some of the Partnership's assets in short-term United States Government obligations, certificates of deposit, commercial paper and other money market instruments, including repurchase agreements with respect to such obligations, to enable the Partnership to make investments quickly and to serve as collateral with respect to certain of its investments. If Firm believes that a defensive position is appropriate because of expected economic or business conditions or the outlook for security prices, or Firm determines that opportunities for investing are unattractive, then a greater percentage of Partnership assets may be invested in such obligations. The Partnership may also engage in securities lending activities. From time to time, in the sole discretion of Firm, cash balances in the Partnership's brokerage account may be placed in a money market fund.

Although the strategy and asset allocation utilized by the Partnership is primarily centered on publicly traded fixed income securities of companies, Firm intends to follow a flexible approach in order to place the Partnership in the best position to capitalize on opportunities in the financial markets. Accordingly, Firm may employ other strategies and may take advantage of opportunities in diverse asset classes if they meet Firm's standards of investment merit.

Description of Investment Process

Investment Identification. In general, Firm performs its own research in determining underlying investments for the Partnership, however, Firm's investment ideas may also be generated from a wide variety of sources including industry contacts, trade and financial publications, trade shows, investment conferences and stock screens. Firm intends to generally utilize a bottom-up investment process analyzing companies on an individual basis. At times, Firm, through early identification of sector trends, will invest based on its analysis and conclusions. Company analyses will seek to identify stocks with superior revenue and earnings characteristics which are experiencing fundamental improvement from new products, markets & technologies, resulting in improving growth rates in sales and expanding margins. Through a review of public filings (10-k, 10-Q, 8-K, etc.) and relevant research analyst reports, attention will be paid to a company's balance sheet ratios, cash flow per share, margin structure, return on investment and revenue drivers. Stock valuation will be assessed utilizing a variety of disciplines to identify favorable risk reward parameters and reasonable valuation relative to growth prospects and industry peers and the market.

Relationship with Portfolio Companies. Although Firm generally does not take an active role in the affairs of the companies in which the Partnership has a position, it will be the policy of the Partnership to take such steps as are necessary to protect its economic interests. Firm reserves the option to accept a role on the board of directors of any company in which the Partnership holds securities, if the opportunity presents itself.

Investing in securities involves risk of loss that Clients should be prepared to bear.

(B) Risks Associated with Firm's Investment Strategies:

Investments in Undervalued Securities. The Partnership intends to invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Partnership's investments may not adequately compensate for the business and financial risks assumed. The Partnership may make certain speculative investments in securities which Firm believes to be undervalued, however, there are no assurances that the securities purchased will in fact be undervalued. In addition, the Partnership may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of the Partnership's funds would be committed to the securities purchased, thus possibly preventing the Partnership from investing in other opportunities.

Small Companies. The Partnership's investment program contemplates the investment of a portion of its assets, from time to time, in small and/or unseasoned companies with small market capitalization. While smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification, and competitive strength of larger companies. In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. When making large sales, the Partnership may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales

over an extended period of time due to the lower trading volume of smaller company securities.

Volatility of Currency Prices. The profitability of the Partnership's portfolio depends, in part, upon Firm correctly assessing the future price movements of currencies. However, price movements of currencies are difficult to predict accurately because they are influenced by, among other things: changing supply and demand relationships; governmental, trade, fiscal, monetary and exchange control programs and policies; national and international political and economic events; and changes in interest rates. Governments from time to time intervene in certain markets in order to influence prices directly. The Partnership cannot guarantee that Firm will be successful in accurately predicting currency price and interest rate movements.

Leverage. When deemed appropriate by Firm and subject to applicable regulations, the Partnership may use leverage in its investment program, including the use of borrowed funds and investments in certain types of options, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities while giving the purchaser the full benefit of movement in the market of those underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. The level of interest rates generally, and the rates at which such funds may be borrowed in particular, could affect the operating results of the Partnership. If the interest expense on borrowings were to exceed the net return on the portfolio securities purchased with borrowed funds, the Partnership's use of leverage would result in a lower rate of return than if the Partnership were not leveraged.

If the amount of borrowings which the Partnership may have outstanding at any one time is large in relation to its capital, fluctuations in the market value of the Partnership's portfolios will have disproportionately large effects in relation to the Partnership's capital and the possibilities for profit and the risk of loss will therefore be increased. Any investment gains made with the additional monies borrowed will generally cause the net asset value of the Partnership to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the additional monies borrowed fails to cover their cost to the Partnership, the net asset value of the Partnership will generally decline faster than would otherwise be the case.

Certain of the Partnership's trading and investment activities may be subject to Federal Reserve Board ("FRB") margin requirements, which are computed each day. At present, the FRB's Regulation T permits a broker to lend no more than 50% of the purchase price of "margin stock" bought by a customer. When the market value of a particular open position changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a "margin call" on the customer is made. If the customer does not deposit additional funds with the broker to meet the margin call within a reasonable time, the customers' position may be closed out. In the event of a precipitous drop in the value of the assets managed by the Partnership, the Partnership might not be able to liquidate assets quickly enough to pay off the margin debt and might suffer mandatory liquidation of positions in a declining market at relatively low prices, incurring substantial losses. With respect to the Partnership's trading activities, the Partnership, and not the Investors personally, will be subject to margin calls.

Overall, the use of leverage, while providing the opportunity for a higher return on investments, also increases the volatility of such investments and the risk of loss. Investors should be aware that an investment program utilizing leverage is inherently more speculative, with a greater potential for losses, than a program that does not utilize leverage.

Short Sales. The Partnership intends to sell securities short. Short selling involves the sale of a security that the Partnership does not own and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price. In order to make delivery to its purchaser, the Partnership must borrow securities from a third party lender. The Partnership subsequently returns the borrowed securities to the lender by delivering to the lender the securities it receives in the transaction or by purchasing securities in the open market. The Partnership must generally pledge cash with the lender equal to the market price of the borrowed securities. This deposit may be increased or decreased in accordance with changes in the market price of the borrowed securities. During the period in which the securities are borrowed, the lender typically retains his right to receive interest and dividends accruing to the securities. In exchange, in addition to lending the securities, the lender generally pays the Partnership a fee for the use of the Partnership's cash. This fee is based on prevailing interest rates, the availability of the particular security for borrowing and other market factors.

Theoretically, securities sold short are subject to unlimited risk of loss because there is no limit on the price that a security may appreciate before the short position is closed. In addition, the supply of securities that can be borrowed fluctuates from time to time. The Partnership may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found.

Options and Other Derivative Instruments. Firm may utilize options and derivative instruments, including buying and writing puts and calls on some of the securities held by the Partnership in an attempt to supplement income derived from those securities. Further, the Partnership intends to invest in derivative instruments. The prices of many derivative instruments, including many options and swaps, are highly volatile. Price movements of options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of options and swap agreements also depends upon the price of the securities or currencies underlying them. The Partnership is also subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses or of counterparties. The cost of options is related, in part, to the degree of volatility of the underlying securities. Accordingly, options on highly volatile securities may be more expensive than options on other securities.

Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument on which they are purchased or sold. A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the writer the obligation to buy, the underlying security, commodity, index, currency or other instrument at the exercise price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument at the exercise price.

If a put or call option purchased by the Partnership were permitted to expire without being sold or exercised, the Partnership would lose the entire premium it paid for the option. The risk involved in writing a put option is that there could be a decrease in the market value of the underlying security caused by rising interest rates or other factors. If this occurred, the option could be exercised and the underlying security would then be sold to the Partnership at a

higher price than its current market value. The risk involved in writing a call option is that there could be an increase in the market value of the underlying security caused by declining interest rates or other factors. If this occurred, the option could be exercised and the underlying security would then be sold by the Partnership at a lower price than its current market value.

Purchasing and writing put and call options and, in particular, writing “uncovered” options are highly specialized activities and entail greater than ordinary investment risks. In particular, the writer of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security or currency above the exercise price of the option. This risk is enhanced if the security being sold short is highly volatile and there is a significant outstanding short interest. These conditions exist in the stocks of many companies. The securities necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing securities to satisfy the exercise of the call option can itself cause the price of the securities to rise further, sometimes by a significant amount, thereby exacerbating the loss. Accordingly, the sale of an uncovered call option could result in a loss by the Partnership of all or a substantial portion of its assets.

Swaps and certain options and other custom instruments are subject to the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty.

Market or Interest Rate Risk. The price of most fixed income securities move in the opposite direction of the change in interest rates. For example, as interest rates rise, the prices of fixed income securities fall. If the Partnership holds a fixed income security to maturity, the change in its price before maturity may have little impact on the Partnership’s performance; however, if the Partnership has to sell the fixed income security before the maturity date, an increase in interest rates could result in a loss to the Partnership.

Call Option Risk. Many bonds, including agency, corporate and municipal bonds, and all mortgage-backed securities, contain a provision that allows the issuer to “call” all or part of the issue before the bond’s maturity date. The issuer usually retains this right to refinance the bond in the future if market interest rates decline below the coupon rate. There are three disadvantages to the call provision. First, the cash flow pattern of a callable bond is

not known with certainty. Second, because the issuer will call the bonds when interest rates have dropped, the Partnership is exposed to reinvestment rate risk – the Partnership will have to reinvest the proceeds received when the bond is called at lower interest rates. Finally, the capital appreciation potential of a bond will be reduced because the price of a callable bond may not rise much above the price at which the issuer may call the bond.

Maturity Risk. In certain situations, the Partnership may purchase a bond of a given maturity as an alternative to another bond of a different maturity. Ordinarily, under these circumstances, the Partnership will make an adjustment to account for the interest rate risk differential in the two bonds. This adjustment, however, makes an assumption about how the interest rates at different maturities will move. To the extent that the yield movements deviate from this assumption, there is a yield-curve or maturity risk. Another situation where yield-curve risk should be considered is in the analysis of bond swap transactions where the potential incremental returns are dependent entirely on the parallel shift assumption for the yield curve.

Inflation Risk. Inflation risk results from the variation in the value of cash flows from a security due to inflation, as measured in terms of purchasing power. For example, if the Partnership purchases a 5-year bond in which it can realize a coupon rate of 5%, but the rate of inflation is 6%, then the purchasing power of the cash flow has declined. For all but inflation linked bonds, adjustable bonds or floating rate bonds, the Partnership is exposed to inflation risk because the interest rate the issuer promises to make is fixed for the life of the security. To the extent that interest rates reflect the expected inflation rate, floating rate bonds have a lower level of inflation risk.

Investments in Non-U.S. Securities. The Partnership may invest and trade a portion of its assets in non-U.S. securities (through ADRs and otherwise), which will give rise to risks relating to political, social and economic developments abroad, as well as risks resulting from the differences between the regulations to which U.S. and foreign issuers and markets are subject to risks which may include:

- Political or social instability, the seizure by foreign governments of company assets, acts of war or terrorism, withholding taxes on dividends and interest, high or confiscatory tax levels, and limitations on the use or transfer of portfolio assets.

- Enforcing legal rights in some foreign countries is difficult, costly and slow, and there are sometimes special problems enforcing claims against foreign governments.
- Foreign securities often trade in currencies other than the U.S. dollar, and the Partnership may directly hold foreign currencies and purchase and sell foreign currencies through forward exchange contracts. Changes in currency exchange rates will affect the Partnership's net asset value, the value of dividends and interest earned, and gains and losses realized on the sale of securities. An increase in the strength of the U.S. dollar relative to these other currencies may cause the value of the Partnership's investments to decline. Some foreign currencies are particularly volatile. Foreign governments may intervene in the currency markets, causing a decline in value or liquidity of the Partnership's foreign currency holdings. If the Partnership enters into forward foreign currency exchange contracts for hedging purposes, it may lose the benefits of advantageous changes in exchange rates. On the other hand, if the Partnership enters forward contracts for the purpose of increasing return, it may sustain losses.
- Non-U.S. securities markets may be less liquid, more volatile and less closely supervised by the government than in the United States. Foreign countries often lack uniform accounting, auditing and financial reporting standards, and there may be less public information about their operations.

Risk of Default or Bankruptcy of Third Parties. The Partnership may engage in transactions in securities and financial instruments that involve counterparties. Under certain conditions, the Partnership could suffer losses if a counterparty to a transaction were to default or if the market for certain securities and/or financial instruments were to become illiquid. In addition, the Partnership could suffer losses if there were a default or bankruptcy by certain other third parties, including brokerage firms and banks with which the Partnership does business, or to which securities have been entrusted for custodial purposes.

Separately managed account Clients are subject to substantially similar risks as those described in this Item 8.(B) above.

(C) **Security-Specific Risks:** Please refer to Item 8.(B) above.

Item 9. Disciplinary Information:

Legal and disciplinary events in which Firm or any supervised persons have been involved that are material to a Client's or prospective client's evaluation of Firm's advisory business or management are listed below (see response after each event).

- (A) A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which Firm or a management person:
- (i) Was convicted of, or pled guilty or nolo contendere ("no contest") to: (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses. **N/A**
 - (ii) Is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses. **N/A**
 - (iii) Was found to have been involved in a violation of an investment-related statute or regulation. **N/A**
 - (iv) Was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a management person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order. **N/A**
- (B) An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which Firm or a management person:
- (i) Was found to have caused an investment-related business to lose its authorization to do business. **N/A**
 - (ii) Was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority:

- a. Denying, suspending, or revoking the authorization of Firm or a management person to act in an investment-related business. **N/A**
 - b. Barring or suspending Firm's or a management person's association with an investment-related business. **N/A**
 - c. Otherwise significantly limiting Firm's or a management person's investment-related activities. **N/A**
 - d. Imposing a civil money penalty of more than \$2,500 on Firm or a management person. **N/A**
- (C) A self-regulatory organization (SRO) proceeding in which Firm or a management person:
- (i) Was found to have caused an investment-related business to lose its authorization to do business. **N/A**
 - (ii) Was found to have been involved in a violation of the SRO's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500. **N/A**

Item 10. Other Financial Industry Activities and Affiliations:

- (A) Firm has no existing or pending affiliations with a broker-dealer or a registered representative of a broker-dealer.
- (B) Firm has no existing or pending affiliations with a Futures Commission Merchant (FCM), Commodity Pool Operator (CPO), or Commodity Trading Advisor (CTA).
- (C) Firm and/or its management persons have a relationship or arrangement that is material to its advisory business or to its Clients with any related person as discussed below:
 - (i) Broker-dealer, municipal securities dealer, or government securities dealer or broker. **N/A**
 - (ii) Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company,

unit investment trust, private investment company or “hedge fund,” and offshore fund). *N/A except as discussed in Item 4.*

- (iii) Other investment adviser or financial planner. **N/A**
- (iv) Futures commission merchant, commodity pool operator, or commodity trading advisor. **N/A**
- (v) Banking or thrift institution. **N/A**
- (vi) Accountant or accounting firm. **N/A**
- (vii) Lawyer or law firm. **N/A**
- (viii) Insurance company or agency. **N/A**
- (ix) Pension consultant. **N/A**
- (x) Real estate broker or dealer. **N/A**
- (xi) Sponsor or syndicator of limited partnerships. **N/A**
- (D) Firm recommends or selects other investment advisers for Clients: **N/A**

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

A copy of the code of ethics (“Code of Ethics”) is available upon request to Clients or prospective clients.

- (A) The Code of Ethics is based upon the premise that all Firm personnel have a fiduciary responsibility to render professional, continuous and unbiased investment advisory service. The Code of Ethics requires all personnel to (1) comply with all applicable laws and regulations; (2) observe all fiduciary duties and put Client interests ahead of those of Firm; (3) observe Firm’s personal trading policies so as to avoid “front-running” and other conflicts of interests between Firm and its Clients; (4) ensure that all personnel have read the Code of Ethics, agreed to adhere to the Code of Ethics, and are aware that a record of all violations of the Code of Ethics will be maintained by Firm’s chief compliance officer and that personnel who violate the Code of Ethics are subject to sanctions by Firm, up to and including termination.

Participation or Interest in Client Transactions: Firm recognizes that the personal securities transactions of its employees demand the application of a high code of ethics, and Firm requires that all such transactions be carried out in a way that does not endanger the interest of any Client. At the same time, Firm believes that if investment goals are similar for Clients and for employees of Firm, it is logical and even desirable that there be common ownership of some securities. Firm and its related persons may invest their personal funds in the Partnership. Therefore, in order to address conflicts of interest, Firm has adopted a set of procedures, included in its Code of Ethics, with respect to transactions effected by its officers, directors, partners, members and employees (hereafter in this section, “Employees”) for their personal accounts. In order to monitor compliance with its personal trading policy, Firm has adopted a quarterly securities transaction reporting system for all of its Employees. For purposes of the policy, an Employee’s “personal account” generally includes any account (a) in the name of the Employee, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which the Employee is a trustee or executor, or (c) which the Employee controls, including Firm’s Client accounts which the Employee controls and in which the Employee or a member of his/her household has a direct or indirect beneficial interest.

Associated persons of Firm may recommend to Clients the purchase or sale of investment products in which it or a related person may have some financial interest, including but not limited to, the receipt of compensation. Records will be maintained of all securities bought and sold by associated persons and related persons.

Additionally, the Code of Ethics sets forth Firm’s policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary duties that Firm and each of its Employees has to each of its Clients. The Code of Ethics is circulated at least annually to all Employees, and each Employee, at least annually, must certify in writing that he or she has received and followed the Code of Ethics and any amendments thereto.

Other Activities of Firm and its Affiliates: Neither Firm, nor any affiliate or employee, is required to manage Client accounts as its sole and exclusive function. Each of them may engage in other business activities, including competing ventures and/or other unrelated employment. In addition to managing Client accounts, Firm, and its respective affiliates or employees may provide

investment advice to other parties and may manage other accounts in the future.

Trade Errors: Firm has internal controls in place to prevent trade errors from occurring. On those occasions when such an error nonetheless occurs, Firm will use reasonable efforts to correct the error. Firm will endeavor to maintain a record of each trade error, including information about the trade and how such error was corrected or attempted to be corrected

Privacy Policy: Firm has adopted a privacy policy that explains the manner in which Firm collects, utilizes and maintains nonpublic personal information about Clients, as required under federal legislation.

Collection of Information and Disclosure of Nonpublic Personal Information: To provide Clients with superior service, Firm may collect several types of nonpublic personal information about Clients, including:

- Information from forms that Clients may fill out, such as subscription forms, questionnaires and other information provided by Clients in writing, in person, by telephone, electronically or by any other means. This information includes name, address, nationality, tax identification number, and financial and investment qualifications;
- Information Clients may give orally;
- Information about transactions within Firm, including account balances, investments and withdrawals;
- Information about the amount Clients have invested, such as initial investment and any additions to and withdrawals from an investment in the Partnership; and
- Information about any bank accounts Clients may use for transfers to or from separately managed accounts.

Firm does not sell or rent Client information. Firm uses this information to conduct business with its Clients: to develop or enhance its products and services; to understand the financial needs of its Clients so that Firm can provide such Clients with quality products and superior service; and to protect and administer its Clients' records, accounts and funds. Firm does not disclose nonpublic personal information about its Clients to nonaffiliated

third parties or to affiliated entities, except as permitted or required by law. For example, Firm may share nonpublic personal information in the following situations:

- To service providers in connection with the administration and servicing of Firm; this may include attorneys, accountants, auditors and other professionals. Firm may also share information in connection with the servicing or processing of Partnership transactions;
- To affiliated companies in order to provide Clients with ongoing personal advice and assistance with respect to the products and services Clients have purchased through Firm and to introduce Clients to other products and services that may be of value to such Clients;
- To respond to a subpoena or court order, judicial process or regulatory authorities;
- To protect against fraud, unauthorized transactions (such as money laundering), claims or other liabilities; and
- Upon consent of a Client to release such information, including authorization to disclose such information to persons acting in a fiduciary or representative capacity on behalf of the Client.

Protection of Information:

Firm's policy is to require that all employees, financial professionals and companies providing services on its behalf keep Client information confidential.

Firm maintains safeguards that comply with federal standards to protect Client information. Firm restricts access to the personal and account information of Clients to those employees who need to know that information in the course of their job responsibilities. Third parties with whom Firm shares Client information must agree to follow appropriate standards of security and confidentiality. Firm's privacy policy applies to both current and former Clients. Firm may disclose nonpublic personal information about a former Client to the same extent as for a current Client.

Changes to Privacy Policy:

Firm may make changes to its privacy policy in the future. Firm will not make any change affecting an individual without first

sending that individual a revised privacy policy describing the change.

Opt Out Provision: Please be advised that Clients have the right to “opt out” of the information sharing as set forth above.

- (B) If Firm or a related person recommends to Clients, or buys or sells for Client accounts, securities in which Firm or a related person has a material financial interest, describe Firm’s practice and discuss the conflicts of interest it presents. Describe generally how Firm addresses conflicts that arise. *Please refer to Item 11.(A).*
- (C) If Firm or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that Firm or a related person recommends to Clients, describe Firm’s practice and discuss the conflicts of interest this presents and generally how Firm addresses the conflicts that arise in connection with personal trading. *Please refer to Item 11.(A).*
- (D) If Firm or a related person recommends securities to Clients, or buys or sells securities for Client accounts, at or about the same time that Firm or a related person buys or sells the same securities for Firm’s own (or the related person’s own) account, describe Firm’s practice and discuss the conflicts of interest it presents. Describe generally how Firm addresses conflicts that arise. *Please refer to Item 11.(A).*

Item 12. Brokerage Practices:

- (A) **Selection of Broker-Dealers:** Firm is responsible for the placement of the portfolio transactions of the Partnership and the negotiation of any commissions paid on such transactions. Firm will not commit to provide any level of brokerage business to any broker. Firm may utilize the services of one or more introducing brokers who will execute the Partnership’s brokerage transactions through the broker and custodian who will clear the Partnership’s transactions. In placing portfolio transactions, Firm will seek to obtain the best execution for the Partnership, taking into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; Firm’s risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services considered to be of value; and the

competitiveness of commission rates in comparison with other brokers satisfying Firm's other selection criteria.

- (i) **"Soft Dollar" Policy:** The term "soft dollars" refers to the receipt by an investment manager of products and services provided by brokers, without any cash payment by Firm, based on the volume of brokerage commission revenues generated from securities transactions executed through those brokers on behalf of Firm's Clients.

Firm is authorized to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokerage firms that provide it with such investment and research information or to pay higher commissions to such firms if Firm determines such prices or commissions are reasonable in relation to the overall services provided. Research services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants. Firm is not required to weigh any of these factors equally. Information so received is in addition to and not in lieu of services required to be performed by Firm, and the Management Fee and Performance Fee are not reduced as a consequence of the receipt of such supplemental research information. Research services provided by broker-dealers used by the Partnership may be utilized by Firm in connection with other investment services for other clients and, likewise, research services provided by broker-dealers used for transactions of other clients may be utilized by Firm in performing services for the Partnership. Since commission rates in the United States are negotiable, Firm's selection of brokers on the basis of considerations which are not limited to applicable commission rates may at times result in the Partnership being charged higher transaction costs than it could otherwise obtain. Nonetheless, Firm's decision on which brokers to utilize will be driven by a concerted striving for "best execution."

In addition to research services, Firm and its affiliates may be offered other non-monetary soft dollar benefits by broker-dealers that Firm may engage to execute securities transactions on behalf of the Partnership. These benefits

may take the form of special execution capabilities, clearance, settlement, online pricing, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, order of call, online access to computerized data regarding Clients' accounts, performance measurement data, consultations, economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations, general reports, efficiency of execution and error resolution, the availability of stocks to borrow for short trades, custody, travel, record keeping and similar services including custodianship of securities. These other services may also include payment of all or a portion of the Partnership's or Firm's administrative costs and expenses of operation, such as newswire and quotation equipment and services (e.g., Reuters, Bloomberg, Bridge, First Call, etc.); data processing charges; periodical subscription fees (e.g., The Financial Times, The Wall Street Journal, The New York Times, Investors Business Daily, etc.); computer equipment used for brokerage or research purposes (e.g., computer hardware, software, PDAs, LANs, etc.) and related technical support, repair and maintenance; telephone and facsimile lines and charges and related equipment, installation, repair and maintenance costs; television and cable services; expenses incurred in connection with investigating and researching issuers of securities and attending research conferences (e.g., airfare, car rentals, taxi fares, conference fees and related expenses, hotel accommodations and meals); economic consulting services and other reasonable expenses as determined by Firm.

The foregoing benefits may be available for use by Firm in connection with transactions in which the Partnership will not participate. The availability of these benefits may influence Firm to select one broker rather than another to perform services for the Partnership. Nevertheless, Firm's decision on which brokers to utilize will be driven by a concerted striving for "best execution." Also, Firm will attempt to assure either that the fees and costs for services provided to the Partnership by brokers offering these benefits are reasonable in relation to the fees and costs charged by other equally capable brokers not offering such services or that the Partnership also will benefit from the services.

Firm has the option to use “soft dollars” generated by the Partnership to pay for the research and non-research related services described above. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment). Section 28(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), provides a “safe harbor” to investment managers who use soft dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to Firm in the performance of investment decision-making responsibilities. In the event Firm elects to use its soft dollars for payment of all or a portion of Firm’s administrative costs and expenses of operation, as more fully described above, such uses of soft dollars are not within the safe harbor afforded by Section 28(e) of the Exchange Act.

The use of brokerage commissions to obtain investment research services and to pay for the administrative costs and expenses of Firm creates a conflict of interest between Firm and the Partnership, because the Partnership pays for such products and services that are not exclusively for the benefit of the Partnership and that may be primarily or exclusively for the benefit of Firm or its affiliates. To the extent that Firm is able to acquire these products and services without expending its own resources (including management fees paid by the Partnership), Firm’s use of soft-dollars would tend to increase Firm’s profitability. Firm will not endeavor to allocate, as between the Partnership and any other managed entities or accounts, particular items of expenses paid relative to the vehicle or account generating the particular commission revenues utilized for payment, except in limited circumstances when deemed appropriate.

- a.** When Firm uses Client brokerage commissions (or markups or markdowns) to obtain research or other products or services, Firm receives a benefit because Firm does not have to produce or pay for the research, products or services. *Please refer to Item 12.(A)(i).*

- b. Firm may have an incentive to select or recommend a broker-dealer based on Firm's interest in receiving the research or other products or services, rather than on Clients' interest in receiving most favorable execution. *Please refer to Item 12.(A)(i).*
- c. Firm may cause Clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up). *Please refer to Item 12.(A)(i).*
- d. Firm may use soft dollar benefits to service all Clients or only those Clients that paid for the benefits. Firm may or may not seek to allocate soft dollar benefits to Clients proportionately to the soft dollar credits the accounts generate. *Please refer to Item 12.(A)(i).*
- e. The types of products and services Firm or any related persons acquired with Client brokerage commissions (or markups or markdowns) within Firm's last fiscal year were: *Please refer to Item 12.(A)(i).*
- f. The procedures Firm used during its last fiscal year to direct transactions to a particular broker-dealer in return for soft dollar benefits Firm received were: *Please refer to Item 12.(A)(i).*

(ii) **Brokerage for Client Referrals:**

- a. Firm reserves the right to pay a fee or commission, in its sole discretion, to brokers or other persons who introduce Clients to Firm, provided that any such fee or commission will be paid solely by Firm or its affiliates and no portion thereof will be paid by Clients. As a result, Firm may have an incentive to select or recommend a broker based on Firm's interest in receiving Client referrals rather than on Clients' interest in receiving most favorable execution. Because such referrals, if any, are likely to benefit Firm but will provide an insignificant (if any) benefit to Clients, Firm will have a conflict of interest with Clients when allocating Client brokerage business to a broker who has referred

Investors to a Client. To prevent Client brokerage commissions from being used to pay referral fees, Firm will not allocate Client brokerage business to a referring broker unless Firm determines in good faith that the commissions payable to such broker are not materially higher than those available from non-referring brokers offering services of substantially equal value to Clients.

- b. The procedures used during the last fiscal year to direct Client transactions to a particular broker-dealer in return for Client referrals were: *Please refer to Item 12.(A)(ii)a.*

Separately managed account Clients will be subject to brokerage practices in a similar fashion to those stated above.

(iii) Directed Brokerage:

- a. Firm does not recommend, request or require a Client to direct Firm to execute transactions through a specified broker-dealer.
- b. Firm does not permit a Client to direct Firm to execute transactions through a specified broker-dealer, except, for a separately managed account Client, if agreed to in the relevant investment management agreement.

- (B) Aggregation of Orders:** Transactions implemented by Firm for accounts may be effected independently or on an aggregated basis. Firm anticipates that it may decide to purchase or sell the same securities for several Clients at approximately the same time. Firm will aggregate orders when it believes aggregation may prove advantageous to Clients. When Firm aggregates Client orders, the allocation of securities among Client accounts will be done on a fair and equitable basis. Typically, the process of aggregating Client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among Clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions will be averaged as to price and execution cost and will be allocated among Firm's Clients in proportion to the purchase and sale orders placed for each Client account on any given day. When Firm aggregates Client orders for

the purchase or sale of securities, including securities in which its associated person(s) may invest, Firm will do so in a fair and equitable manner. It should be noted that Firm does not receive any additional compensation or remuneration as a result of aggregation.

Allocation of Trades: Firm may at times determine that certain securities will be suitable for acquisition by Clients and by other accounts managed by Firm, possibly including Firm's own accounts or accounts of an affiliate. If that occurs, and Firm is not able to acquire the desired aggregate amount of such securities on terms and conditions which Firm deems advisable, Firm will endeavor in good faith to allocate the limited amount of such securities acquired among the various accounts for which Firm considers them suitable. Firm may make such allocations among the accounts in any manner that it considers fair under the circumstances including, but not limited to, allocations based on relative account sizes, the degree of risk involved in the securities acquired, and the extent to which a position in such securities is consistent with the investment policies and strategies of the various accounts involved.

Item 13. Review of Accounts:

- (A) All accounts managed by Firm are reviewed on at least a monthly basis by John J. O'Rourke, managing member of Firm, to assure conformity with Client objectives and guidelines. In addition, accounts are reviewed in light of emerging trends and developments as well as market volatility. Separately managed account Clients are responsible for keeping Firm informed as to any personal changes in their financial condition. Firm cannot make any material changes to such Client's portfolio if it is not informed of the Client's particular developments.
- (B) The calendar is the main triggering factor of a review of an account, although more frequent reviews may be also be triggered by, among other things, Client capital injections and/or withdrawals. From an investment management perspective, triggers for review include economic factors, financial results of a portfolio company, analyst commentary, and news.
- (C) Reports showing performance (unaudited) are sent monthly to the Partnership and to separately managed account Clients by the qualified custodian, and to Investors in the Partnership by the administrator. In addition, Firm provides monthly portfolio statements. From time to time, Firm may also provide additional

information upon a Client's request. In addition, realized gains/losses, interest and dividends earned are reported to Clients annually. Each Investor in the Partnership also will receive the following: (i) annual financial statements of the Partnership, audited by an independent certified public accounting firm; (ii) in the discretion of Firm or an affiliate of Firm, a periodic letter and/or report discussing the results of the accounts; (iii) copies of such Investor's Schedule K-1 to the Partnership's tax returns; and (iv) other reports as determined by Firm or an affiliate of Firm in its sole discretion. Additionally, within 120 days of year end, Partnership Investors receive GAAP-compliant audited financial statements.

Item 14. Client Referrals and Other Compensation:

- (A) Firm does not receive, from any non-Client, any economic benefit associated with advising Clients.
- (B) Firm may use independent third-party solicitors to refer Clients to Firm and pay a portion of its advisory fees to such solicitors, in accordance with the Advisers Act. Firm may engage underwriters, brokers, dealers or finders to assist in the offering of interests in the Partnership. Except for commissions on brokerage transactions (which will be paid by Clients), Firm will pay (and will not charge Clients) fees and commissions that may be payable to any such brokers or finders for assisting in the offering or sale of interests in the Partnership.

Item 15. Custody:

Firm maintains Client funds and securities at a qualified custodian. As stated in Item 13, above, the qualified custodian will send monthly account statements directly to the Partnership and to separate account Clients. The administrator will send monthly account statements to Investors. Account statements should be carefully reviewed. The Partnership will send GAAP-compliant audited financial statements to Investors within 120 days of its fiscal year-end.

Item 16. Investment Discretion:

Firm has discretionary investment authority over Client assets that are managed by Firm.

Item 17. Voting Client Securities:

- (A) **Partnerships:** Firm monitors corporate actions of those securities it has purchased on behalf of its Clients. Receipt of proxy materials is logged into a proxy control sheet. Proxy votes will generally be submitted electronically but may be submitted by mail. A record of the proxy votes cast will be made and retained by Firm. Clients can obtain information on how the proxies were voted and a detailed description of Firm's policies and procedures regarding proxy voting by requesting such information from the chief compliance officer.

Firm understands and appreciates the importance of proxy voting. To the extent that Firm has discretion to vote the proxies of its Clients, Firm will vote any such proxies in the best interests of Clients and in accordance with the policies of its proxy voting provider and the procedures outlined below.

In evaluating how to vote a proxy, Firm will first determine whether there is a conflict of interest related to the proxy in question between Firm and its Clients. This examination will include (but will not be limited to) an evaluation of whether Firm (or any affiliate of Firm) has any relationship with the company (or an affiliate of the company) to which the proxy relates outside an investment in such company by a Client of Firm. If a conflict is identified and deemed "material" by Firm, on a Proxy Voting Committee organized by Firm, Firm will determine whether voting in accordance with these proxy voting guidelines is in the best interests of affected Clients (which may include utilizing an independent third party to vote such proxies). With respect to material conflicts, Firm will determine whether it is appropriate to disclose the conflict to affected Clients and Investors and give Clients the opportunity to vote the proxies in question themselves, if applicable.

- (B) **Separately Managed Accounts:** Firm's general policy is to not vote proxies on behalf of separately managed account Clients, unless specifically negotiated and set forth in the individual Client agreement. In the absence of such an agreement whereby Firm does vote proxies, it is the responsibility of each such Client to vote all proxies for securities held in the separately managed account. Separately managed account Clients will receive proxies directly via their preferred delivery method, which is established at the time that the Client opens the account with Firm.

Item 18. Financial Information:

- (A) Firm solicits prepayment of Management Fees on a quarterly basis from the Partnership. Firm does not solicit prepayment of more than \$1200 in fees per Client six months or more in advance, and thus has not provided a balance sheet according to the specifications of 17 CFR Parts 275 and 279.
- (B) Because Firm has discretionary authority over and/or custody of Client funds or securities, Firm has disclosed, as follows, any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Clients: None.
- (C) Firm has not been the subject of a bankruptcy petition during the past ten years.

Item 19. Requirements for State Registered Advisers: N/A

II. Part 2B – BROCHURE SUPPLEMENT

Item 1.

Cover page for:

John J. O'Rourke

Verity Advisors, LLC
(CRD # 137607)

106 Allen Road
Basking Ridge, NJ 07920
Tel. 908-647-1260
Fax. 908-647-1294

This supplement provides information about Mr. O'Rourke that supplements the Verity Advisors, LLC brochure (our "Brochure"). You should have received a copy of our Brochure. Please contact Timothy O'Rourke at 908-647-1260 if you did not receive our Brochure or if you have any questions about the contents of this supplement.

Additional information about Mr. O'Rourke is available on the SEC's website at www.adviserinfo.sec.gov.

The date of this Brochure is

March 29, 2011

Item 2. Educational Background and Business Experience:

John J. O'Rourke, born 1958, currently serves as the Managing Member of Verity Advisors, LLC ("Firm").

Education Background:

Mr. O'Rourke graduated from the State University of New York at Binghamton in 1982 with an MBA and from the University of Notre Dame in 1980 with a BBA in Finance.

Business Background:

Mr. O'Rourke, Managing Member of Firm, founded and manages Firm and the Partnership. Prior to starting Firm, Mr. O'Rourke worked for 18 years at Goldman, Sachs & Company where he gained experience of the investment business across multiple business cycles and market conditions. While at Goldman, he spent over 12 years specializing in below-investment grade debt and acquired substantial experience constructing and managing high yield portfolios for wealthy individuals and institutions.

Item 3. Disciplinary Information:

Mr. O'Rourke (the "supervised person") has not been involved with any legal or disciplinary events material to a client's or prospective client's evaluation of the supervised person.

Item 4. Other Business Activities:

- (A) The supervised person is not actively engaged in any investment-related business or occupation, including being registered, or having an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant ("FCM"), commodity pool operator ("CPO"), or commodity trading advisor ("CTA"), nor is the supervised person an associated person of an FCM, CPO, or CTA.
- (B) The supervised person is not actively engaged in any business or occupation for compensation not discussed in response to Item 4.(A), above, that provides a substantial source of the supervised person's income or involves a substantial amount of the supervised person's time.

Item 5. Additional Compensation:

The supervised person does not receive, from any non-Client, any economic benefit associated with advising Clients (such as sales awards and prizes, any bonus that is based on number or amount of sales, Client referrals or new accounts (not including salary)).

Item 6. Supervision:

John O'Rourke and Timothy O'Rourke, as the only senior managers of Firm, supervise each other's performance, activities and the advice each provides to Clients. John O'Rourke and Timothy O'Rourke may consult with Firm's external legal counsel or external compliance and operational support consultants (if any) as needed.

Item 7. Requirements for State Registered Advisers: N/A

Item 1.

Cover page for:

Timothy M. O'Rourke

Verity Advisors, LLC
(CRD # 137607)

106 Allen Road
Basking Ridge, NJ 07920
Tel. 908-647-1260
Fax. 908-647-1294

This supplement provides information about Mr. O'Rourke that supplements the Verity Advisors, LLC brochure (our "Brochure"). You should have received a copy of our Brochure. Please contact Mr. O'Rourke at 908-647-1260 if you did not receive our Brochure or if you have any questions about the contents of this supplement.

Additional information about Mr. O'Rourke is available on the SEC's website at www.adviserinfo.sec.gov.

The date of this Brochure is

March 29, 2011

Item 2. Educational Background and Business Experience:

Timothy M. O'Rourke, born 1965, currently serves as Chief Compliance Officer of Firm.

Education Background:

Mr. O'Rourke graduated from Siena College in 1987 with a BA in Political Science.

Business Background:

Mr. O'Rourke is the Chief Compliance Officer of Firm, and also performs operations and administrative duties for the Partnership. Prior to joining Firm, Mr. O'Rourke worked for 15 years at Wyeth Advertising as a Senior Media Buyer. Prior to Wyeth, Mr. O'Rourke traded short-term municipal securities at E.F. Hutton.

Item 3. Disciplinary Information:

Mr. O'Rourke (the "supervised person") has not been involved with any legal or disciplinary events material to a client's or prospective client's evaluation of the supervised person.

Item 4. Other Business Activities:

- (A) The supervised person is not actively engaged in any investment-related business or occupation, including being registered, or having an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant ("FCM"), commodity pool operator ("CPO"), or commodity trading advisor ("CTA"), nor is the supervised person an associated person of an FCM, CPO, or CTA.
- (B) The supervised person is not actively engaged in any business or occupation for compensation not discussed in response to Item 4.(A), above, that provides a substantial source of the supervised person's income or involves a substantial amount of the supervised person's time.

Item 5. Additional Compensation:

The supervised person does not receive, from any non-Client, any economic benefit associated with advising Clients (such as sales awards and prizes, any bonus that is based on number or amount of sales, Client referrals or new accounts (not including salary)).

Item 6. Supervision:

John O'Rourke and Timothy O'Rourke, as the only senior managers of Firm, supervise each other's performance, activities and the advice each provides to Clients. John O'Rourke and Timothy O'Rourke may consult with Firm's external legal counsel or external compliance and operational support consultants (if any) as needed.

Item 7. Requirements for State Registered Advisers: N/A