

# Veracity Capital LLC

## Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of Veracity Capital LLC. If you have any questions about the contents of this brochure, please contact us at (844) 508-7884 or by email at: [info@veracitycapital.com](mailto:info@veracitycapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Veracity Capital LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Veracity Capital LLC's CRD number is: 304272.*

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*Registration as an investment adviser does not imply a certain level of skill or training.*

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## Item 2: Material Changes

Veracity Capital LLC has the following material changes to report. Material changes relate to Veracity Capital LLC's policies, practices or conflicts of interests.

- The firm has updated their assets under management (Item 4E).
- Veracity utilizes WealthShield LLC as a third party money manager / outsourced chief investment officer as part of its service to clients. (Item 5 and Item 10)
- Veracity has updated risk of loss (Item 8).

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## Item 4: Advisory Business

### A. Description of the Advisory Firm

Veracity Capital LLC (hereinafter “Veracity”) is a Limited Liability Company organized in the State of Texas. The firm was formed in August 2018, and the principal owners are Michael Mess, Kevin Gray, and John Rogers.

### B. Types of Advisory Services

Veracity offers investment advisory services to individuals, families, trusts, estates, businesses and retirement plans (each referred to as a “Client”). Veracity provides comprehensive investment management, planning and consulting services tailored to the individual needs of each Client. These services are primarily focused on high net worth Clients.

#### Investment Advisory Services

Veracity provides customized investment advisory solutions for its Clients. This is achieved through personal Client contact and interaction while providing discretionary investment management and related advisory services. Veracity works with Clients to identify their investment goals and objectives as well as risk tolerance and financial situation in order to create an appropriate investment strategy. Veracity will then construct a portfolio strategy that may include the use of our internal investment management and/or outside managers.

*Internal Investment Management* - Veracity customizes its investment management services for its Clients, as outlined in this Disclosure Brochure. Portfolios are primarily constructed using mutual funds, exchange-traded funds (“ETFs”), individual stocks and fixed income securities. The Advisor may also utilize other types of investments, as appropriate, to meet the needs of each particular Client. The Advisor may retain legacy securities due to portfolio fit and tax considerations.

Veracity evaluates and selects investments for inclusion in Client portfolios after applying its internal due diligence process. Veracity’s investment strategy is primarily long-term focused, but the Advisor may buy, sell or re-allocate positions that have been held less than one year to meet the objectives of the Client or due to market conditions. If it is consistent with the Client’s goals, the Advisor may also engage in an investment strategy that utilizes frequent trading in securities, as outlined in Item 8 below. Veracity will construct, implement and monitor the Client’s portfolio to ensure it meets the goals, objectives, circumstances, and risk tolerance agreed to by the Client. Each Client will have the opportunity to place reasonable restrictions on the types of investments to be held in their respective portfolio, subject to acceptance by the Advisor.

Clients grant Veracity discretion to purchase and sell securities in their portfolio. Veracity may employ specific positions to increase sector or asset class weightings. Veracity may recommend employing cash positions as a possible hedge against market movement. Veracity may recommend selling positions for reasons that include, but are not limited to, harvesting capital

gains or losses, business or sector risk exposure to a specific security or class of securities, overvaluation or overweighting of the position[s] in the portfolio, change in risk tolerance of Client, generating cash to meet Client needs, or any risk deemed unacceptable for the Client's risk tolerance.

Veracity will provide investment management and related advisory services. At no time will Veracity accept or maintain custody of a Client's funds or securities, except for authorized deduction of the Advisor's fees. All Client assets will be managed within their designated account[s] at the Custodian, pursuant to the investment advisory agreement.

*Use of Outside Managers* – Veracity may recommend to Clients that all or a portion of their investment portfolio be invested by utilizing one or more outside money managers or investment platforms (an "Outside Manager"). Outside Manager may be sourced directly or accessed through an investment management platform or directly engaged by Veracity. The Client may be required to enter into a separate agreement with the Outside Manager. Please see Item 10 for additional information.

Generally, with Outside Managers, Veracity serves as the Client's primary advisor and relationship manager. However, the Outside Manager will assume discretionary authority for the day-to-day investment management of those assets placed in their control. Veracity will assist and advise the Client in establishing investment objectives for their account, the selection of the Outside Manager, and defining any restrictions on the account. Veracity will continue to provide oversight of the Client's account[s] and ongoing monitoring of the activities of these outside parties. The Outside Manager will implement the selected investment strategies based on their investment mandates. The Client may be able to impose reasonable investment restrictions on these accounts, subject to the acceptance of these third parties. Veracity does not receive any compensation from these Outside Managers, other than its investment advisory fee (described in Item 5).

#### **Financial Planning and Consulting Services**

Veracity may provide financial planning services to Clients as part of the investment advisory engagement or as a separate engagement, depending on the Client's financial situation, goals, and objectives.

Generally, such financial planning services will involve preparing a financial plan or rendering a financial consultation based on the Client's financial goals and objectives. This planning or consulting may encompass one or more areas of need, including, but not limited to investment planning, retirement planning, estate planning, personal savings, education savings and other areas of a Client's financial situation.

A financial plan developed for or financial consultation rendered to the Client will usually include general recommendations for a course of activity or specific actions to be taken by the Client. For example, recommendations may be made that the Client start or revise their investment programs, commence or alter retirement savings, establish education savings and/or charitable

giving programs. Veracity may also refer Clients to an accountant, attorney or other specialist, as appropriate for their unique situation. For certain financial planning engagements, the Advisor will provide a written summary of Client's financial situation, observations, and recommendations. For consulting or ad-hoc engagements, the Advisor may not provide a written summary. Plans or consultations are typically completed within six months of contract date, assuming all information and documents requested are provided promptly.

Financial planning and consulting recommendations may pose a potential conflict between the interests of the Advisor and the interests of the Client. Clients are not obligated to implement any recommendations made by the Advisor or maintain an ongoing relationship with the Advisor. If the Client elects to act on any of the recommendations made by the Advisor, the Client is under no obligation to implement the transaction through the Advisor. Ultimately the Client has the discretion to decide whether to implement the plan or recommendations and takes responsibility for this decision.

#### **Retirement Plan Advisory Services**

Veracity serves as an ERISA 3(21) Fiduciary to retirement plans (each a "Plan") in support of the Plan Sponsor. Veracity may provide the following Plan Fiduciary Services pursuant to the terms of the Advisor's agreement with each Plan Sponsor:

- Vendor Analysis
- Employee Enrollment and Education Tracking
- Investment Policy Statement
- Investment Monitoring
- Performance Reports
- Ongoing Investment Recommendation and Assistance
- ERISA 404(c) Assistance
- Benchmarking Services

The specific services will be outlined in the advisory agreement signed by the Plan Sponsor. Veracity does not provide 3(38) discretionary investment advisory services on behalf of the Plan or Plan Sponsor.

Veracity utilizes WealthShield LLC as a third party money manager / outsourced chief investment officer as part of its service to clients.

### **C. Client Account Management**

Prior to engaging Veracity to provide investment advisory services, each Client is required to enter into one or more advisory agreements with the Advisor that define the terms, conditions, authority and responsibilities of the Advisor and the Client. Clients should review these agreements in detail prior to executing them. The services provided under these agreements may include:

- Establishing an Investment Strategy – Veracity, in connection with the Client, will develop an investment strategy targeted to achieve the Client's investment goals and objectives.

- Asset Allocation – Veracity will develop a strategic asset allocation that is targeted to meet the investment objectives, time horizon, financial situation and tolerance for risk for each Client.
- Portfolio Construction – Veracity will develop a portfolio for the Client that is intended to meet the stated goals and objectives of the Client.
- Investment Management and Supervision – Veracity will provide investment management and ongoing oversight of the Client’s portfolio.
- Financial Planning and Consulting – For Clients engaging for investment advisory services, the Advisor provides ongoing financial planning and related services regarding the Client’s overall financial situation.

## D. Wrap Fee Programs

Veracity includes securities transaction fees together with its investment advisory fees. Including these fees into a single asset-based fee is considered a “Wrap Fee Program”. Veracity customizes its investment management services for its Clients. The Advisor sponsors the Veracity Wrap Fee Program solely as a supplemental disclosure regarding the combination of fees. Depending on the level of trading required for the Client’s account in a particular year, the Client may pay more or less in total fees than if the Client paid its own transaction fees. Please see Appendix 1 – Wrap Fee Program Brochure, which is included as a supplement to this Disclosure Brochure.

## E. Assets Under Management

Veracity has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$402,796,315	\$19,373,584	December 2019

# Item 5: Fees and Compensation

The following paragraphs detail the fee structure and compensation methodology for services provided by the Advisor. Each Client shall sign one or more agreements that detail the responsibilities of Veracity and the Client. Various methods of fee calculation exist or are possible, depending on the services provided, client circumstances, and the account size. These methods include, but are not limited to, hourly, flat, breakpoint, and blended fee billing. Regardless of which method is employed, the IAR fee will not exceed 1.5%. Please review these agreements if you are choosing a particular program.

## A. Fees for Advisory Services

### Investment Advisory Services

Your IAR will discuss the investment advisory fees when your account is established, and these fees will be outlined in your advisory agreement. Investment advisory fees are based on the market value of assets under management at the end of the prior billing period and are billed at an annual rate of up to 1.50%, depending on level of assets being managed, the complexity of the

services to be provided and/or the overall relationship with the Client. In addition to the investment advisory fee, the Client shall pay a platform fee of up to 0.40% annually. The platform fee is for securities transaction fees, reporting and related services.

Fees are paid either monthly or quarterly, in advance of each calendar month or quarter (the billing period) or in arrears, pursuant to the terms of the investment advisory agreement. Fees for the first partial billing period of service are prorated from the inception date of the account[s] to the end of the first billing period. Fees may be negotiable at the sole discretion of the Advisor. Certain Clients may have a fixed annual fee or fixed rate fee or a fee schedule that differs from above. The Client's fees will take into consideration the aggregate assets under management with Advisor. All securities held in accounts managed by Veracity will be independently valued by the Custodian. Veracity will not have the authority or responsibility to value portfolio securities. Please see the Veracity Wrap Fee Program Brochure and your advisory agreement for additional information relative to fees and fee billing.

The Client may make additions or withdrawals from the account[s] at any time, subject to Veracity's right to terminate an account or the overall relationship. Additions may be in cash or securities provided that the Advisor reserves the right to liquidate any transferred securities or decline to accept particular securities into a Client's account[s]. Clients may withdraw account assets on notice to Veracity, subject to the usual and customary securities settlement procedures. However, Veracity typically designs its investment portfolios as long-term investments and the withdrawal of assets may impair the achievement of a Client's investment objectives. Veracity may consult the Client about the implications of such transactions. Clients are advised that when such securities are liquidated, they may be subject to securities transaction fees, short-term redemption fees, and/or tax ramifications. If assets in excess of \$10,000 are deposited into or withdrawn from the Client's account[s], an adjustment will be made in the next billing period to reflect the fee difference. Veracity may negotiate a fee that differs from the schedule above for certain account[s] or holdings.

#### **Use of Outside Managers**

For a Client account implemented through an Outside Manager, the Outside Manager will usually provide a unified billing that includes Veracity's share of the investment advisory fee, in addition to the Outside Managers fees and platform fees. In such instances, Veracity will not charge its fee separately on those assets.

#### **Financial Planning and Consulting Services**

Financial planning and consulting services may be included as part of an overall wealth management engagement or provided as a stand-alone engagement. For stand-alone engagements such as financial planning and consulting services, fees will be charged on an hourly basis or as a fixed engagement. Fees are based on the experience of the person performing the services, the complexity and duration the services to be provided. An estimate for total hours and costs will be determined prior to engaging for these services. The Advisor's fee is exclusive of, and in addition to, brokerage fees, transaction fees, and other related costs and expenses, which may be incurred by the Client. Please see your financial planning and consulting services agreement for additional terms and conditions for these services.

#### **Retirement Plan Advisory Services**



Retirement plan advisory fees are paid either monthly or quarterly, in advance or arrears of each calendar month or quarter (the billing period), pursuant to the terms of the retirement plan advisory agreement. Fees are generally based on the market value of assets in the Plan at the end of the prior billing period and charged at an annual rate of up to 1.00%. Fee may also be billed at a fixed annual rate. Please see your retirement plan advisory agreement for additional terms and conditions for these services.

## **B. Fee Billing**

### **Investment Advisory Services**

Investment advisory fees will be calculated by the Advisor or its delegate and deducted from the Client's account[s] at the Custodian. The Advisor sends an invoice to the Custodian providing the amount of the fees to be deducted from the Client's account[s] for the applicable billing period. The amount due is calculated by applying the applicable rate (annual rate divided by 12 for accounts billed on a monthly basis; annual rate divided by 4 for accounts billed on a quarterly basis) to the total assets under management with Veracity at the end of the prior billing period. Clients will be provided with a statement, at least quarterly, from the Custodian reflecting deduction of the investment advisory fee. It is the responsibility of the Client to verify the accuracy of these fees as listed on the Custodian's brokerage statement as the Custodian does not assume this responsibility. Clients provide written authorization permitting Veracity to be paid directly from their accounts held by the Custodian as part of the investment advisory agreement and separate account forms provided by the Custodian.

### **Use of Outside Managers**

Client accounts implemented through Outside Managers will be billed in accordance to the separate agreements with the respective parties. These parties will typically add Veracity's investment advisory fee and deduct the overall fee from the Client's accounts.

### **Financial Planning and Consulting Services**

Financial planning and consulting fees are invoiced up to 50% upon the execution of the financial planning or consulting agreement with the balance due upon completion of the engagement deliverables. At the discretion of the Advisor, these fees may be billed solely at the completion of the engagement deliverables.

### **Retirement Plan Advisory Services**

Fees may be directly invoiced to the Plan Sponsor or deducted from the assets of the Plan, depending on the terms of the retirement plan advisory agreement.

## **C. Other Fees and Expenses**

Veracity includes securities transactions costs and a platform fee as part of its overall investment advisory fee through the Veracity Wrap Fee Program. Securities transaction fees for Client-directed trades may be charged back to the Client. Please see Item 4.D. above as well as Appendix 1 – Wrap Fee Program Brochure. However, Clients may incur certain non-transactional fees or charges imposed by custodian or third parties in connection with accounts that are established, and investments held in Client's accounts. These fees and expenses include account maintenance fees, wire transfer fees, and other fees that are outlined in your account agreement with the custodian or third party.

In addition, all fees paid to Veracity for investment advisory services are separate and distinct from the expenses charged by mutual funds and ETFs to their shareholders, if applicable. These fees and expenses are described in each fund's prospectus. These fees and expenses will generally be used to pay management fees for the funds, other fund expenses, account administration (e.g., custody, brokerage and account reporting), and a possible distribution fee. The Client should review the fees charged by the Custodian, any fees or costs charged by the investments such as mutual funds and ETFs, and the fees charged by Veracity to fully understand the total fees to be paid.

## **D. Advance Payment of Fees and Termination**

### **Investment Advisory Services**

Veracity can be compensated for its investment advisory services in advance of the billing period in which services are rendered, pursuant to the terms of the investment advisory agreement. Either party may request to terminate the investment advisory agreement with Veracity, at any time, by providing advance written notice to the other party. The Client shall be responsible for investment advisory fees up to and including the effective date of termination. Upon termination, the Advisor will promptly refund any unearned, prepaid fees to the Client.

### **Use of Outside Managers**

In the event a Client should wish to terminate their relationship with an Outside Manager, the terms for termination will be set forth in the respective agreements between the Client and those third parties. Veracity will assist the Client with the termination and transition as appropriate.

### **Financial Planning and Consulting Services**

The Advisor is partially compensated for its financial planning and consulting services upon execution of the engagement agreement. Either party may terminate a planning agreement, at any time, by providing written notice to the other party. Upon termination, the Client shall be responsible for fees based on the hours worked by the Advisor or the percentage of the engagement completed. Upon termination, any unearned prepaid fees will be promptly refunded to the Client.

### **Retirement Plan Advisory Services**

Veracity is compensated for its retirement plan advisory services in advance or arrears of the billing period in which services are rendered. Either party may request to terminate the retirement plan advisory agreement with Veracity, at any time, by providing advance written notice to the other party. The Client shall be responsible for advisory fees up to and including the effective date of termination. Upon termination, the Advisor will promptly refund any unearned, prepaid fees to the Client.

## **E. Compensation for the Sale of Securities**

Advisory Persons ("IARs") of Veracity may also be registered representatives of Compass Securities Corporation ("Compass"). While these individuals are registered with Compass, Veracity is only compensated by receipt of investment advisory fees and does not receive any compensation for securities transactions in any Client account. Compass and Veracity are not affiliated entities and

are separate and distinct. The services provided by Compass as a broker dealer (or an investment adviser) are separate and distinct from the services provided by Veracity.

As registered representatives of Compass, an individual who is also an IAR with Veracity may implement securities transactions on a commission basis through Compass. In such instances, the IAR is acting as an agent of Compass and is solely under the supervision of Compass. The registered representative will receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products, through Compass. Compensation earned by an IAR in his or her capacity as a registered representative of Compass is separate and in addition to Veracity's advisory fees. This practice presents a conflict of interest if an IAR can earn more compensation from effecting securities transactions as compared to what can be earned from investment advisory services. To mitigate this conflict, Veracity discloses the different options the Clients have, supervises the opening of accounts, and assures Clients are under no obligation, contractually or otherwise, to purchase securities products through one of our IARs. Further, Veracity will not charge an ongoing investment advisory fee on any assets implemented in the separate capacity of one of our IARs. Please see Item 10.

IARs may also be licensed as independent insurance professionals. IARs will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by an IAR are separate and in addition to Veracity's advisory fees. Compensation earned by the IAR in his or her capacity as an insurance agent is separate and in addition to Veracity's advisory fees. This practice presents a conflict of interest if an IAR can earn more compensation from selling insurance as compared to what can be earned from investment advisory services. To mitigate this conflict, Veracity discloses the different options the Clients have, supervises the opening of accounts, and assures Clients are under no obligation, contractually or otherwise, to purchase securities products through one of our IARs.

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

Veracity does not charge performance-based fees for its investment advisory services. The fees charged by Veracity are as described in "Item 5 – Fees and Compensation" above.

Veracity does not manage any proprietary investment funds or limited partnerships (for example, a mutual fund or a hedge fund) and has no financial incentive to recommend any particular investment options to its Clients.

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

Veracity offers investment advisory services to individuals, families, trusts, estates, and businesses, with a focus on those Clients with a high net worth. The relative percentage of each type of Client is available on Veracity's Form ADV Part 1. These percentages will change over time. Veracity does not impose a size for establishing a relationship, but as noted does tailor its services to high net worth Clients.

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

### **Methods of Analysis & Investment Strategies**

Veracity's methods of analysis include Charting analysis, Cyclical analysis, Fundamental analysis, Modern portfolio theory, Quantitative analysis and Technical analysis, as described in more detail below.

- Charting analysis involves the use of patterns in performance charts. This technique is used to search for patterns used to help predict favorable conditions for buying or selling a security.
- Cyclical analysis involves the analysis of business cycles to find favorable conditions for buying or selling a security.
- Fundamental analysis involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.
- Modern portfolio theory is a theory of investment that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, each by carefully choosing the proportions of various asset.
- Quantitative analysis deals with measurable factors as distinguished from qualitative considerations such as the character of management or the state of employee morale, such as the value of assets, the cost of capital, historical projections of sales, and other factors.
- Technical analysis involves the analysis of past market data; primarily price and volume.

As noted above, Veracity generally employs a long-term investment strategy for its Clients, as consistent with their financial goals. Veracity will typically hold all or a portion of a security for more than a year but may hold for shorter periods for the purpose of rebalancing a portfolio or meeting the cash needs of Clients. At times, Veracity may also buy and sell positions that are more short-term in nature, depending on the goals of the Client and/or the fundamentals of the security, sector or asset class.

### **Risk of Loss**

Investing in securities involves certain investment risks. Securities will fluctuate in value and may lose value. Clients should be prepared to bear the risk of loss, which will vary based upon market conditions and length of investment. Veracity and their IARs assist Clients in determining an appropriate strategy based on their tolerance for risk and other factors noted above. However, there is no guarantee that a Client will meet their investment goals.

Fundamental analysis utilizes economic and business indicators as investment selection criteria. These criteria are generally ratios and trends that may indicate the overall strength and financial viability of the entity being analyzed. Assets are deemed suitable if they meet certain criteria to indicate that they are a strong investment with a value discounted by the market. While this type of analysis helps the Advisor in evaluating potential investments, it does not guarantee that the investments will increase in value. Assets meeting the investment criteria utilized in the fundamental analysis will fluctuate in value and may lose value and may have negative investment performance. The Advisor monitors these economic indicators to determine if adjustments to strategic allocations are appropriate. More details on the Advisor's review process are included below in "Item 13 – Review of Accounts".

Each Client engagement will entail a review of the Client's investment goals, financial situation, time horizon, tolerance for risk and other factors to develop an appropriate strategy for managing a Client's account. Client participation in this process, including full and accurate disclosure of requested information, is essential for the analysis of a Client's account. The Advisor shall rely on the financial and

other information provided by the Client or their designees without the duty or obligation to validate the accuracy and completeness of the provided information. It is the responsibility of the Client to inform the Advisor of any changes in financial condition, goals or other factors that may affect this analysis.

The risks associated with a particular strategy are provided to each Client in advance of investing Client accounts. The Advisor will work with each Client to determine their tolerance for risk as part of the portfolio construction process. Past performance is not a guarantee of future returns. Investing in securities and other investments involve a risk of loss that each Client should understand and be willing to bear. Clients are reminded to discuss these risks with the Advisor.

Options are contracts to purchase a security at a given price, risking that an option may expire out of the money resulting in minimal or no value. An uncovered option is a type of options contract that is not backed by an offsetting position that would help mitigate risk. The risk for a “naked” or uncovered put is not unlimited, whereas the potential loss for an uncovered call option is limitless. Spread option positions entail buying and selling multiple options on the same underlying security, but with different strike prices or expiration dates, which helps limit the risk of other option trading strategies. Option writing also involves risks including but not limited to economic risk, market risk, sector risk, idiosyncratic risk, political/regulatory risk, inflation (purchasing power) risk and interest rate risk.

Private Placements carry a substantial risk as they are subject to less regulation than are publicly offered securities, the market to resell these assets under applicable securities laws may be illiquid, due to restrictions, and liquidation may be taken at a substantial discount to the underlying value or result in the entire loss of the value of such assets.

## **Item 9: Additional Information**

### **Disciplinary Information**

There are no legal, regulatory or disciplinary events to disclose involving Veracity. Our backgrounds are on the Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with our firm name or our CRD# 304272.

### **Conflicts of Interest**

Our goal is to provide non-conflicted advisory services to our Clients. However, certain aspects of our business do provide conflicts of interest due to the broader nature of the services we strive to provide to clients. We want to assure that we identify these conflicts so that our Clients can fully and fairly discuss them with their IARs and make informed decisions. The material conflicts outlined below generally are presented based upon three broad categories – (i) affiliate transactions including commission-based insurance transactions; (ii) commission-based transactions through Compass and (iii) our efforts to recruit other IARs. These conflicts are outlined below, and we encourage our Clients to discuss them with their IARs.

#### **Affiliate Conflicts**

Veracity Capital Risk Management, LLC (“VCRM”), is affiliated with Veracity Capital, LLC, and is licensed as an insurance agency and in this capacity acts as a broker for term and permanent life insurance, fixed annuities, disability insurance, and long-term care insurance. This service is made available and offered to our clients by our IARs in their separate individual capacities as licensed insurance agents. The recommendation that clients purchase an insurance product through Veracity Capital Risk Management presents a conflict of interest, as the receipt of commissions

provide an incentive to recommend insurance products based on commissions to be received, rather than on a client's particular need. No client is under any obligation to purchase any insurance product from Veracity Capital Risk Management. Clients may purchase recommended insurance products through nonaffiliated insurance agents of their choice.

**Commission Based Securities Transactions**

As outlined above, Veracity IARs may also be registered to conduct commission-based securities transactions through Compass Securities Corporation ("Compass"), a non-affiliated securities broker-dealer. Compass also provides investment advisory services as a registered investment adviser and commission-based insurance products. Advisory services are typically ongoing, with delegation of discretionary trading authority, may involve financial planning, and are paid for by ongoing advisory fees calculated as a percentage of your assets in an advisory account. Veracity

and your IAR act as fiduciaries with respect to your advisory account. Brokerage services are non-discretionary transactions such as securities trades and are paid for by commissions. With brokerage services the firm and your representative owe you a duty to assure that any recommendations are suitable. Therefore, there is a different legal standard in addition to a different compensation structure between an investment advisory account and a brokerage account.

To the extent that an IAR is registered with Compass (your IAR can tell you or the information is available through [brokercheck.finra.org](http://brokercheck.finra.org)), the IAR can provide advisory services through Veracity or brokerage services through Compass. This poses a conflict of interest to the extent that an IAR will earn more or less depending upon the nature of your account and the investments that are held in the account. Investments like mutual funds, ETFs, stocks and bonds that are bought and held for longer periods of time in a brokerage account, like an account available at Compass and other securities broker dealers, will have a lower overall cost for this longer hold due to the lack of active management and additional management fees charged by the investment advisor managing the account. However, the actual cost will depend on the type of investment and how active a brokerage account is trading securities positions. Additionally, as noted above, there are different legal standards between advisory and brokerage accounts. The difference in this legal standard will impact the disclosure of conflicts, the nature of investment recommendations, the obligation for ongoing monitoring of the account, and other legal obligations. Which type of account is best for you depends upon your individual circumstances and preferences. Our goal is to assure that Clients understand the options available and the difference in the types of accounts and investments that they may make.

#### **Advisor Transition Assistance**

Veracity may provide various benefits and payments to IARs that are newly associated with Veracity to assist the IAR with costs associated with transitioning his or her business to Veracity (collectively referred to as "Transition Assistance"). The proceeds of such Transition Assistance payments are intended to be used for a variety of purposes, including but not necessarily limited to, providing working capital to assist in funding the IAR's business, satisfying any outstanding debt to the IAR's prior firm, offsetting account transfer/termination fees as a result of the IAR's clients transitioning to Veracity's chosen custodial platform, technology set-up fees, marketing and mailing costs, stationary and licensure transfer fees, moving expenses, office space expenses, and staffing support. Veracity does not verify that any payments made are actually used for such transition costs, and therefore, they may provide direct revenue to the recruit. Assistance may be provided in the form of a cash advance to the recruit, by Veracity foregoing revenues during account transactions, or through other incentives to the IAR. Assistance may also come with certain contractual obligations to the recruit, such as repayment of all or a portion of the payment if the IAR elects to leave Veracity or does not meet certain other obligations.

The amount of Transition Assistance payments is often significant in relation to the overall revenue earned or compensation received by the IAR at his or her prior firm. Such payments are generally based on the size of the IAR's business established at his or her prior firm, for example, a percentage of the revenue earned, or assets serviced by the IAR at the prior firm. These payments are generally in the form of payments or loans to the IAR with favorable interest rate terms as compared to other lenders, which are paid by Veracity or forgiven by Veracity based on years of service with Veracity (e.g., if the IAR remains with Veracity for 5 years) and/or the scope of business engaged in with Veracity. Veracity also makes payments to IARs in connection with

the transition of certain advisory business to Veracity from his or her prior firm that is not approved on Veracity's platform. These payments are tied to the amount of client assets that are transitioned from an unapproved platform at the prior firm to Veracity's advisory program. The receipt of Transition Assistance creates a conflict of interest in that an IAR has a financial incentive to recommend that a client open and maintain an account with the IAR and Veracity for advisory services and to recommend changing investment products or services where a potential Client's current investment options are not available through Veracity, in order to receive the Transition Assistance benefit or payment. Veracity and its IARs attempt to mitigate these conflicts of interest by evaluating and recommending that clients use Veracity's services based on the benefits that such services provide to Clients, rather than the Transition Assistance earned by any particular IAR. However, we want to assure that potential Clients are aware of this conflict and take it into consideration in deciding whether to establish or maintain a relationship with Veracity. As with all items in this Brochure, we also encourage Clients to discuss this item with their IAR.

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

Neither the Advisor nor its associated persons ("Supervised Persons") has any registrations or affiliations with a futures commission merchant, commodity pool operator, or commodity-trading advisor.

### **Broker-Dealer Affiliation**

As noted in Items 5.E. and 9, IARs of Veracity may also be registered representatives of Compass. In one's separate capacity as a registered representative of Compass, an IAR will typically receive commissions for the implementation of recommendations for commissionable transactions. Clients are not obligated to implement any recommendation provided by an IAR. To the extent that an IAR earns commissions as a registered representative of Compass or supervises such transactions this business is solely through Compass, and Veracity does not participate in those transactions and receives no financial payments.

### **Insurance Agency**

Veracity Capital Risk Management, an affiliate of Veracity, is licensed as an insurance agency and in this capacity acts as a broker for term and permanent life insurance, fixed annuities, disability insurance, and long-term care insurance.

Veracity utilizes WealthShield LLC as a third party money manager / outsourced chief investment officer as part of its service to clients. Veracity may direct clients to third-party investment advisers. Veracity will be compensated via a fee share from the advisers to which it directs those clients. The fees shared will not exceed any limit imposed by any regulatory agency. This creates a conflict of interest in that Veracity has an incentive to direct clients to the third-party investment advisers that provide Veracity with a larger fee split. Veracity will always act in the best interests of the client, including when determining which third-party investment adviser to recommend to clients. Veracity will verify that all recommended advisers are properly licensed, notice filed, or exempt in the states where Veracity is recommending the adviser to clients.



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

### **A. Code of Ethics**

Veracity has implemented a Code of Ethics that defines our fiduciary commitment to each Client. This Code of Ethics applies to all Supervised Persons. The Code of Ethics was developed to provide general ethical guidelines and specific instructions regarding our duties to you, our Client. Veracity and its personnel owe a duty of loyalty, fairness and good faith towards each Client. It is the obligation of Veracity Supervised Persons to adhere not only to the specific provisions of the Code, but also to the general principles that guide the Code. The Code of Ethics covers a range of topics that address employee ethics and conflicts of interest. To request a copy of our Code of Ethics, please contact us at (844) 508-7884.

### **B. Personal Trading with Material Interest**

Veracity allows the purchase or sale of the same securities that may be recommended to and purchased on behalf of Clients. Veracity does not act as principal in any transactions. In addition, the Advisor does not act as the general partner of any mutual funds or advise any investment companies. Veracity does not have a material interest in any securities traded in Client accounts.

### **C. Personal Trading in Same Securities as Clients**

Veracity allows the purchase or sale of the same securities that may be recommended to and purchased on behalf of Clients. Owning the same securities that we recommend (purchase or sell) to you, presents a potential conflict of interest that, as fiduciaries, we must disclose to you and mitigate through policies and procedures. As noted above, we have adopted a Code of Ethics, which addresses insider trading (material non-public information controls) and personal securities reporting procedures. When trading for personal accounts, Supervised Persons of Veracity have a conflict of interest if trading in the same securities. The fiduciary duty to act in the best interest of its Clients can potentially be violated if personal trades are made with more advantageous terms than Client trades, or by trading based on material non-public information. This conflict is managed by Veracity requiring Supervised Persons to report of personal securities trades for review by the Chief Compliance Officer ("CCO"). We have also adopted written policies and procedures to detect the misuse of material, non-public information.

### **D. Personal Trading at Same Time as Client**

While Veracity allows the purchase or sale of the same securities that may be recommended to and purchased on behalf of Clients, such trades are typically aggregated with Client orders or traded afterwards. This may provide an opportunity for representatives of Veracity to buy or sell securities before or after recommending securities to clients resulting in representatives profiting

off the recommendations they provide to clients. Such transactions create a conflict of interest. However, to manage this conflict Veracity has procedures to avoid trading that operates to the client's disadvantage if IARs buy or sell securities at or around the same time as clients.

## **Item 12: Brokerage Practices**

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

Custodians/broker-dealers will be recommended based on Veracity's duty to seek "best execution," which is the obligation to seek execution of securities transactions for a client on the most favorable terms for the client under the circumstances. Clients will not necessarily pay the lowest commission or commission equivalent, and Veracity may also consider the market expertise and research access provided by the broker-dealer/custodian, including but not limited to access to written research, oral communication with analysts, admittance to research conferences, and other resources provided by the brokers that may aid in Veracity's research efforts. Veracity will never charge a premium or commission on transactions, beyond the actual cost imposed by the broker-dealer/custodian.

Veracity will require clients to use Fidelity Brokerage Services LLC.

#### **1. Research and Other Soft-Dollar Benefits**

While Veracity has no formal soft-dollar programs in which soft dollars are used to pay for third party services, Veracity may receive research, products, or other services from custodians and broker-dealers in connection with client securities transactions ("soft dollar benefits"). Veracity may enter into soft-dollar arrangements consistent with (and not outside of) the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended. There can be no assurance that any particular client will benefit from soft-dollar research, whether or not the client's transactions paid for it, and Veracity does not seek to allocate benefits to client accounts proportionate to any soft-dollar credits generated by the accounts. Veracity benefits by not having to produce or pay for the research, products, or services, and Veracity will have an incentive to recommend a broker-dealer based on receiving research or services. Clients should be aware that Veracity's acceptance of soft-dollar benefits may result in higher commissions charged to the client.

#### **2. Brokerage for Client Referrals**

Veracity receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

#### **3. Clients Directing Which Broker/Dealer/Custodian to Use**

Veracity will require clients to use a specific broker-dealer to execute transactions. Not all advisers require clients to use a particular broker-dealer.

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

If Veracity buys or sells the same securities on behalf of more than one client, then it may (but would be under no obligation to) aggregate or bunch such securities in a single transaction for multiple clients in order to seek more favorable prices, lower brokerage commissions, or more efficient execution. In such case, Veracity would place an aggregate order with the broker on behalf of all such clients in order to ensure fairness for all clients; provided, however, that trades would be reviewed periodically to ensure that accounts are not systematically disadvantaged by this policy. Veracity would determine the appropriate number of shares and select the appropriate brokers consistent with its duty to seek best execution, except for those accounts with specific brokerage direction (if any).

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

### **A. Frequency of Reviews**

As a matter of policy and practice, Investments in Client accounts are monitored on a regular and continuous basis by IARs of Veracity and periodically by the CCO. Formal reviews are generally conducted at least annually depending on the needs of the Client.

### **B. Causes for Reviews**

Accounts may also be reviewed as a result of major changes in (i) economic conditions such as material market, economic or political events or (ii) known changes in the Client's financial situation, such as significant life events and/or large deposits or withdrawals in the Client's account. The Client is encouraged to notify Veracity if changes occur in the Client's personal financial situation that might adversely affect the Client's investment plan.

### **C. Review Reports**

The Client will receive a brokerage statement from the Custodian no less than quarterly. The Client may also establish electronic access to the Custodian's website so that the Client may view these reports and their account activity. Client brokerage statements will include all positions, transactions and fees relating to the Client's account. The Advisor and its IARs may also provide Clients with periodic reports regarding their holdings, allocations, and performance. However, the Custodian statements are the official reports of the Client's account. Please review these accounts as received to assure they appear accurate for both the positions and transaction effectuated in the account.

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

### **A. Compensation Received by Veracity**

Veracity has an established institutional relationship with Fidelity to be the preferred Custodian for Client accounts. This relationship assists us in managing Client accounts through aggregation of the accounts and use of a single operating system. Based upon this relationship, we have received access to software and related support. The software and related systems support provide direct benefit to the Advisor and may provide indirect benefits to the Clients through increased efficiencies. In fulfilling its duties to its Clients, the Advisor endeavors at all times to put the interests of its Clients first. Clients should be aware, however, that the receipt of economic benefits from a Custodian creates a potential conflict of interest since these benefits may influence the Advisor's recommendation of the Custodian over one that does not furnish similar software, systems support, or services.

## **B. Client Referrals from Solicitors**

If a Client is introduced to Veracity by an unaffiliated solicitor (herein a “Solicitor”), Veracity may pay the Solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940 (the “Advisers Act”) as well as applicable state securities regulations. Referral fees are paid solely from Veracity’s investment advisory fee and does not result in any additional charges or higher fees to the Client. In the event you are referred by a Solicitor, the Solicitor will provide you with a copy of Veracity’s Disclosure Brochure along with a Solicitor’s Disclosure Statement containing the terms and conditions of the solicitation arrangement including compensation.

### **Item 15: Custody**

There are specialized rules pertaining to a registered investment advisor accepting or maintaining “custody” of Clients’ assets. Veracity does not accept or maintain custody of any Client accounts or assets. We are authorized to deduct advisory fees from client accounts, but this practice does not constitute custody for purpose of the applicable rules. All Clients must place their assets with a “qualified custodian” as detailed in item 12. Clients are required to engage the Custodian to retain their funds and securities and direct Veracity to utilize the Custodian for the Client’s security transactions. Veracity encourages Clients to review statements provided by the Custodian. For more information about Custodians and brokerage practices, see “Item 12 - Brokerage Practices”.

### **Item 16: Investment Discretion**

Veracity generally has discretion over the selection of securities to be bought or sold in Client accounts without obtaining prior consent or approval from the Client. This discretion includes selecting the security, the quantity of a transaction, and the timing of transaction. However, these purchases or sales may be subject to specified investment objectives, guidelines, or limitations previously set forth by the Client and agreed to by Veracity. Discretionary authority will only be authorized upon full disclosure to the Client. The granting of such authority will be evidenced by the Client's execution of an investment advisory agreement containing all applicable limitations to such authority. All discretionary trades made by Veracity will be in accordance with each Client's investment objectives and goals. Please note that this discretion is deemed to be “limited” and Veracity does not have authority to open an account, switch Custodians, or deposit or withdraw funds from an existing account (except for authorized withdrawals for payment of investment advisory fees).

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

Veracity does not vote proxies for any Client. Clients will receive proxy statements directly from the Custodian. If the Client directs proxy materials to the Advisor's attention, this does not result in the Advisor assuming responsibility for the voting of proxies. The Advisor will assist in answering questions relating to proxies, however, the Client retains the sole responsibility for proxy decisions and voting.

### **Item 18: Financial Information**

Neither Veracity, nor its management, have any adverse financial situations that would reasonably impair the ability of Veracity to meet all obligations to its Clients. Neither Veracity, nor any of its IARs, has been subject to a bankruptcy or financial compromise. Veracity is not required to deliver a balance sheet along with this Disclosure Brochure as the Advisor does not collect fees of \$1,200 or more for services to be performed six months or more in advance.