

**Part 2A of Form ADV: *Firm Brochure***

**Verity Asset Management, Inc.**

280 S. Mangum Street  
Suite 550  
Durham, NC 27701

Telephone: 919-490-6717 (Ext. 109)  
Email: [compliance@verityinvest.com](mailto:compliance@verityinvest.com)  
Web Address: [www.verityinvest.com](http://www.verityinvest.com)

12/1/2023

This brochure provides information about the qualifications and business practices of Verity Asset Management, Inc. If you have any questions about the contents of this brochure, please contact us at 919-490-6717 (Ext. 109) or [compliance@verityinvest.com](mailto:compliance@verityinvest.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. Registration with the SEC as an investment adviser does not imply a certain level of skill or training.

Additional information about Verity Asset Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 158667.

## Item 2    Material Changes

Verity Asset Management (“Verity”) is your fiduciary within the meaning of the Investment Advisers Act of 1940, as amended, the Internal Revenue Code, and/or the Employee’s Retirement Income Security Act of 1974. As such, we owe a fiduciary duty to each of our clients. This duty is principles-based and applies to the entire relationship between Verity and its clients. We have developed impartial conduct standards as formal obligations to serve each client’s best interests, to charge only reasonable compensation, to avoid any misleading statements, and to disclose and manage potential conflicts of interest.

On December 1, 2023, Verity launched the Verity U.S. Treasury Fund (the “Fund”), a no-load open-end mutual fund. The Fund is a series of the Series Portfolio Trust.

In some Investment Advisory accounts, we allocate the assets in each account by selecting a portfolio of mutual funds to meet the overall account objectives. If we select the Verity U.S. Treasury Fund as one of those allocations, we have a conflict of interest, because we have the opportunity to profit from investment advisory fees charged by the Fund.

When we select the Fund in your portfolio, we will do so through the discretionary trading authority you granted to us in the execution of your Investment Advisory Agreement. Your discretionary authority allows us, without prior discussion, consultation, or consent from you, to buy the Fund in your account(s).

When we select the Verity U.S. Treasury Fund as one of the funds in an account, we are handling two separate functions: (1) providing ongoing investment advisory services to the client that include allocating the account to meet the client’s investment objectives and (2) conducting the research, trading, and various other activities involved in managing the mutual fund. Typically, these functions are performed by different individuals within the Firm. We are compensated separately for each of these functions.

When we select the Fund, it is our objective to add value to the portfolio. Given the background and experience of the Portfolio Manager of the Fund, we believe there is a potential benefit to clients if we are able to determine the portfolio management decisions for the Fund in a manner consistent with our investment philosophies and the specific way in which we are seeking to use Treasury securities within client portfolios. There is, however, no guarantee that we will succeed in adding value or that performance may not be greater using a different fund or funds.

<b>Item 3</b>	<b>Table of Contents</b>	<b>Page</b>
Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	3
Item 4	Advisory Business	4
Item 5	Fees and Compensation	17
Item 6	Performance-Based Fees and Side-By-Side Management	23
Item 7	Types of Clients	23
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	23
Item 9	Disciplinary Information	26
Item 10	Other Financial Industry Activities and Affiliations	26
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	27
Item 12	Brokerage Practices	29
Item 13	Review of Accounts	31
Item 14	Client Referrals and Other Compensation	32
Item 15	Custody	33
Item 16	Investment Discretion	33
Item 17	Voting Client Securities	33
Item 18	Financial Information	33

**Brochure Supplement – Portfolio Managers**

## Item 4    **Advisory Business**

Verity Asset Management, Inc. is a SEC-registered investment adviser. Our principal place of business is located in the American Tobacco Historic District in Durham, North Carolina. Our firm was formed as an independent broker-dealer in 1996 under the name, Verity Investments, Inc.; we began conducting business as a registered investment adviser in 2005. In June 2011, the broker-dealer business was moved to a separate corporate entity, and we changed our name to Verity Asset Management, Inc.

Verity Financial Group, Inc., our firm's parent corporation, owns 100% of the stock of both Verity Asset Management, Inc. and our broker-dealer affiliate, Verity Investments, Inc.

**Verity Asset Management, Inc. offers the following advisory services to our clients:**

### **DISCRETIONARY ACCOUNT MANAGEMENT**

**AMOUNT OF MANAGED ASSETS** - As of 12/31/2022, we were actively managing \$783,152,000 of clients' assets on a discretionary basis. We do not directly manage any accounts on a non-discretionary basis.

### **INVESTMENT ADVISORY SERVICES: MODEL PORTFOLIO MANAGEMENT**

Our firm provides discretionary portfolio management services to clients primarily but not exclusively through model portfolios. Models may be managed by us or by outside third-party managers which we have selected. Some of the models are based on a broad tactical asset allocation approach to investment management. Certain more specialized models use other methodologies, which will be described below. Each model is designed to meet a specific investment objective.

#### ***Tactical Asset Allocation Models***

Asset allocation is an investment strategy that seeks to balance risk and reward by diversifying a portfolio across multiple asset classes, such as stocks, bonds, and cash. Tactical asset allocation is an active version of the strategy that seeks to improve the risk-adjusted returns by modifying the allocation mix to take advantage of market pricing anomalies and/or market trends. Anomalies could include overpriced or underpriced markets, market sectors, or individual securities.

To enhance the number of potential opportunities and to increase our portfolio diversification options, we may select securities from a very broad range of asset classes, market sectors, and countries. Models may be invested at various times with targeted exposure to U.S. and foreign equity and debt securities, emerging markets equity and debt, commodities, real estate, and currencies.

We may also purchase securities that "short" selected equity or debt markets; as a result, they increase in value when those markets decline. Securities of this type are most often used to hedge or offset market risk.

Specific securities in these portfolios may be selected from open and closed-end mutual funds, exchange-traded funds (ETFs), and individual securities.

Although tactical allocation is used with the intent of better managing overall market risk, the risk of loss inherent in securities markets remains. There can be no assurance that the strategies we implement will not result in greater risk of loss if our assessment of market conditions and choice of securities and/or hedging strategies prove incorrect. Among other risks, the specific market anomalies which the strategies are seeking to exploit may change, and the timing of our adjustments to portfolios may be inappropriate. In addition, if used alone, securities with direct exposure to commodities, emerging markets, and currencies traditionally have considerably greater risk than average large company U.S. stocks and bonds; by using them as part of a larger asset allocation strategy, our intent may be to reduce overall portfolio risk, but there is no guarantee we will achieve

that objective. Trading frequency will vary based upon our ongoing evaluation of economic and market conditions along with the specific holdings in each model; any lack of trades does not mean we are not monitoring on a continuous and ongoing basis.

In addition to risks within equity markets as expressed above, bonds and preferred securities are also subject to varying degrees of credit, liquidity, and interest rate risk. Preferred securities in particular can be less liquid than other securities, making them very volatile under certain market conditions; selling these securities under such conditions can result in significant loss of value.

#### **Conservative Total Return Model**

**The objective is growth of capital with a material reduction of risk compared to a typical diversified stock portfolio.**

#### **Tactical All Asset Model**

**The objective is growth of capital in a manner that is less erratic than broad U.S. equity markets. The model seeks to enhance risk-adjusted performance, not on a year-to-year basis, but over multi-year cycles of market ups and downs.**

#### **Social Responsibility Model**

A version of the Tactical All Asset model is available using funds screened to include only companies judged “socially responsible”. The screening of companies is conducted by each mutual fund company based upon their own selected social criteria. Our firm does not do additional social screening, nor do we make an independent assessment of the screening criteria used by each fund company. Mutual funds and ETFs which invest with direct exposure to commodities, currencies, and money market instruments, and funds which short indexes of stocks and bonds, are considered socially neutral for our purposes and are not subject to social screening. One risk of using funds screened for social responsibility criteria is that the selection is more limited, and certain market sectors may not be well represented.

#### ***Retirement Platform Models***

Our firm provides discretionary portfolio management of retirement accounts for individual participants on certain retirement plan platforms, including those of TIAA, Fidelity Investments, IPX Retirement, Charles Schwab, PCS, Aspire, and others. These accounts are managed using model portfolios. Security selection for the retirement platform models is typically limited to the mutual funds (and, in some cases, annuities and/or annuity subaccounts) available within each retirement plan. As a result, the strategies are modified as may be appropriate based upon the specific fund options of each plan. A version of these mutual fund strategies may also be available for accounts held outside of retirement plans.

#### **Workplace Conservative Model**

The objective is stable growth of capital with a material reduction of risk compared to a typical diversified stock portfolio.

**Workplace Balanced Growth Model** The objective is growth of capital over time at a modest rate relative to broad U.S. equity markets, seeking to balance opportunity for growth with management of downside risk. The Balanced Growth Model is more aggressive than the Conservative Model.

**Workplace Dynamic Growth Model** The objective is strong growth of capital over the long term. It will assume greater volatility and risk of loss than the Balanced Growth Model, but will seek to achieve a comparable or lower level of risk than the overall U.S. equity market.

#### Workplace Focused Growth Model

The objective is aggressive growth of capital. It may assume equal or greater risk than the U.S. equity market and is expected to remain fully invested or close to fully invested in equities at all times.

#### Workplace Retirement Income Model

The objective is to provide both income and distribution options for retirement. It is structured with a goal of accumulating and ultimately distributing a reliable stream of retirement income, incorporating an annuity allocation intended to contribute to both goals. (Guarantees that may come with an annuity are dependent on the claims paying ability of the underlying insurance company. Annuity product parameters are defined exclusively by the underlying insurance carrier. Participants who choose to annuitize some or all of their savings to income benefits are making a permanent decision; once income benefits have begun, participants are unable to change to another option. The ability to annuitize is subject to each specific retirement plan's rules, and certain products may not be available to all persons. Verity does not have any direct relationship with any annuity provider beyond certain distribution and platform access agreements. Explanation of annuity provisions is for general information only; specific guarantees, contract provisions, annuitization options and all other information about any annuity in the portfolio should be requested directly from the pertinent insurance company or companies.)

Some retirement plans offer Self Directed Brokerage Account options, which provide access to a much larger universe of mutual funds. We offer versions of the models above designed specifically for these Self Directed Brokerage Accounts, sometimes referring to them as "Sector Based" Models.

*Verity Asset Management, Inc. is not sponsored by, affiliated with, or in any way related to TIAA, Fidelity Investments, IPX Retirement, Charles Schwab, PCS, Aspire or other platforms or custodians or any of their affiliates.*

#### ***Specialty Models - Managed by Verity***

We also offer Specialty Models managed by Verity portfolio managers. These specialized strategies may be more targeted than the majority of our models, or they may be unique in other ways. They may be selected for the purpose of offering additional opportunities for growth, diversification, and/or other potential benefits.

#### Concentrated Rotation Model

The objective is aggressive growth of capital. The model is expected to exhibit significant volatility and a greater risk of loss compared to a typical diversified equity portfolio. It is designed for clients seeking an aggressive component that is not exclusively composed of equities to complement a more broadly diversified portfolio.

Target allocations will cover three broad categories: (1) approximately 40-50% individual stocks, typically concentrated among no more than 5-6 companies; (2) approximately 30% in equity sector-based ETFs or mutual funds; and (3) approximately 20-30% in non-equity assets. The model may be invested at various times with exposure to U.S., foreign, and emerging markets equity securities, and, in the non-equity category, may be invested in various debt securities, commodities, real estate, and currencies. It may also in the non-equity category purchase securities that short selected equity or debt markets and thus increase in value when those markets decline. Specific securities may be selected from open and closed-end mutual funds, exchange-traded funds (ETFs), and individual stocks.

Portfolio concentration poses a significant increase in portfolio risk, and high volatility should be expected. Securities in this model are also subject to short-term trading, so this model may be expected to exhibit much greater turnover of securities than some less aggressive models. As a consequence, accounts may experience higher transaction costs (though we expect these to remain minimal), and tax consequences of short-term trading should be considered if the model will be used in taxable accounts.

#### Small/MidCap Value Model

The objective is growth of capital at a rate greater than the unmanaged Russell 2500 Value Index. The Russell 2500 Value Index is an unmanaged index of U.S. small and midcap value stocks.

The portfolio manager uses a set of screening criteria in an effort to identify small and midcap companies that are currently selling at a discount to their estimated value. The premise is that the market will ultimately recognize the estimated full value of the company and the share price will rise to reflect that value, though there is no guarantee that this will occur. Primary risks of the strategy include the potential that the assessments of value are incorrect, the timing of allocation changes is ineffective, or the securities selected fail to rise in value in the manner anticipated. In addition, share prices of smaller companies tend to be more volatile than those of larger companies.

The model will typically consist of 15 to 25 individual stocks and is designed to be close to fully invested at all times. It can be expected to experience market risk and volatility similar to the Russell 2500 Value Index, but concentration of the portfolio in a limited number of stocks can also result in greater risk of loss.

#### Tactical MultiCap Value Model

The objective is growth of capital at a rate greater than the unmanaged Russell 3000 Value Index over full market cycles. The Russell 3000 Value Index is an unmanaged index of U.S. value stocks covering the spectrum from smallcap to largecap.

The portfolio manager uses a set of screening criteria in an effort to identify companies that are currently selling at a discount to their estimated value. The premise is that the market will ultimately recognize the estimated full value of the company, and the share price will rise to reflect that value, though there is no guarantee that this will occur. Primary risks of the strategy include the potential that the assessments of value are incorrect, the timing of allocation changes is ineffective, or the securities selected fail to rise in value in the manner anticipated.

To manage risk, the portfolio manager monitors technical trends for U.S. stocks. When the aggregate price action of tracked equities turns negative, this will trigger the implementation of a hedge position designed to offset much of the risk of a decline in stock prices. There is no guarantee that the timing or effect of this strategy will be successful.

The model will typically consist of 10 to 25 individual stocks. Concentration of the portfolio in a limited number of stocks can also result in greater risk of loss, though the goal is to materially reduce market risk over longer periods of time using the hedging strategy explained above.

There is a variation of this model, called the MultiCap Value Model. The MultiCap Value Model uses the same stock selection process. However, it does not use a hedge position to reduce risk; it is thus fully exposed to market risk at all times.

#### Domestic Equity Opportunity Model

The objective is growth of capital at a rate which exceeds the S&P 500. The model is expected to consist of individual stocks along with ETFs which track various sectors of the U.S. equity market. In an effort to enhance potential return and reduce risk, the model may be concentrated in sectors displaying more favorable fundamentals and/or trends, in the judgment of the manager; however, at least 3 of the 10 S&P 500 sectors must be represented in the portfolio at all times. The model may hold cash and cash equivalents but does not intend to hold more than 25% in cash at any time.

In considering risk, an investor should expect to be fully exposed to the risk of declines in the broad U.S. equity market. In addition, since the model will selectively invest in specific market sectors and in certain individual securities, it could potentially experience greater volatility and declines in value than the overall market if its selection of sectors and securities proves unfavorable.

#### Real Estate Value Model

The objective is long-term income and capital growth, while providing diversification relative to conventional stocks and bonds. The model may invest in various publicly traded real estate securities, including Real Estate Investment Trust (REIT) equity and REIT debt, with a goal of providing a diversified portfolio of real estate related assets. It will seek exposure to multiple segments of the real estate market to include, at various times, senior housing, shopping centers, data centers, and apartments, among others.

The model will be subject to special risk considerations similar to those associated with direct ownership of real estate due to its concentration in the securities of real estate and real estate related companies. Real estate valuations may be subject to factors such as changing general and local economic, financial, competitive, and environmental conditions. Despite the objective of maintaining a diversified portfolio of real estate related securities, there is potential for the portfolio to become tactically more concentrated in certain locales and segments of the real estate market than others.

(This model was previously named the Value-Driven Model.)

#### Opportunistic Income Model

The objective is to provide an unconstrained income strategy, allowing the portfolio manager to seek the most attractive total return opportunities – based on prevailing market conditions, with a strong focus on managing downside risks.

The portfolio may invest in diversified sectors in the fixed income markets (including government securities, corporate bonds, high yield bonds, and mortgage and asset-backed securities), preferred securities, income producing stocks, and other publicly traded securities, including convertible bonds and REITs. Exposures to these asset classes may be acquired using any combination of individual securities, exchange-traded funds (ETFs), or mutual funds. Additionally, the portfolio manager has discretion to use funds that short the markets, primarily for the purpose of attempting to protect the portfolio against the potential negative impact of rising interest rates.

The goal of the portfolio's risk management process is to achieve a level of risk comparable to a diversified bond fund, but, given the range of securities which may be used, there is no guarantee this will be achieved. As mentioned previously, a primary portfolio risk is the potential negative effect of rising interest rates on bonds and other income producing securities. Bonds and preferred securities are also subject to varying degrees of credit, liquidity, and interest rate risk. Preferred securities in particular can be less liquid than other securities, making them very volatile under certain market conditions; selling these securities under such conditions can result in significant loss of value. In addition, equity securities and REITs, though normally limited as a percentage of the portfolio, are frequently volatile.

Multiple versions of this model may be implemented over time in an effort to improve client results. These variations may be the result of account size, liquidity of certain income securities, or maturities of certain fixed income securities.

#### Enhanced Income Model

The objective is to provide an enhanced yield as compared to cash and money market type instruments by accepting a limited degree of fluctuation of principal. To achieve this objective, the strategy will typically (a)



invest primarily in short-term securities that are slightly beyond the duration of traditional money market funds, and (b) also invest in a broader mix of securities.

The portfolio may invest in diversified sectors in the fixed income markets (including government securities, corporate bonds, high yield bonds, and mortgage and asset-backed securities), preferred securities, income producing stocks, and other publicly traded securities, including convertible bonds, and REITs.

The goal of the portfolio's risk management process is to achieve a lower level of sensitivity to interest rates than typical intermediate bond portfolios; however, even short-term income securities are exposed to risk from rising interest rates. Bonds and preferred securities are also subject to varying degrees of credit and liquidity risk. Preferred securities in particular can be less liquid than other securities, making them very volatile under certain market conditions; selling these securities under such conditions can result in significant loss of value. In addition, any equities, REITs, high yield bonds, convertible bonds, or other securities, can be expected to experience a higher degree of individual volatility as compared to short-term bonds.

Multiple versions of this model may be implemented over time in an effort to improve client results. These variations may be the result of account size, liquidity of certain income securities, or maturities of certain fixed income securities.

#### Tax-Advantaged Income Model

The objective is to provide income taxable for federal income tax purposes at a rate lower than maximum income tax rates, with a secondary objective of capital appreciation. As a result, the strategy may be particularly well-suited for income-oriented investors in higher tax brackets.

This strategy will typically be more appropriate for taxable accounts, as IRAs and other non-taxable accounts will not gain any tax benefit. However, there may be other considerations pertinent to each individual investor, that may make this strategy preferable to comparable strategies offered by the firm, including but not limited to potentially greater liquidity of the strategy's holdings as compared to other strategies holding preferred securities.

The strategy expects to invest primarily in preferred securities but may at the discretion of the manager hold limited allocations to non-preferred short-term fixed income securities and cash equivalents. Preferred securities and other fixed income securities are subject to market risk, along with credit, liquidity, and interest rate risk. Preferred securities in particular can be less liquid than other securities, making them very volatile under certain market conditions; selling these securities under such conditions can result in significant loss of value. Preferred securities that pay qualified dividends are also subject to risk associated with changes in federal income tax rates or rules.

#### Tax-Exempt Income Models

The objective is to provide income exempt from federal income tax, with a secondary objective of capital appreciation. As a result, the strategy may be particularly well-suited for income-oriented investors in higher tax brackets. Income may be subject to federal alternative minimum tax (AMT) as well as state and local taxes. State-specific variations of the strategy, such as Verity North Carolina Tax-Exempt Income, will focus on municipal bonds which can be exempt from both federal and state income tax in the respective state(s).

The strategy will invest primarily in investment-grade municipal bonds which are exempt from federal income tax (and, where appropriate, state income tax). Under normal circumstances, the average maturity of the bonds is expected to fall between 3 and 10 years. Municipal instruments in the portfolio may include general obligation, revenue obligation, industrial development, and moral obligation bonds, along with tax-exempt derivative instruments, stand-by commitments, and municipal instruments backed by forms of credit enhancement issued by domestic or foreign banks.

Bonds will be subject to risk to principal in the event of rising interest rates. In addition, they are subject to credit and liquidity risk. Municipal bonds are also subject to risk associated with changes in federal income tax rates or rules. State-specific versions of the strategy will by definition be less geographically diversified, which may as a result subject them to greater risk than a portfolio with greater geographic diversity.

### ***Specialty Models - Managed by Outside Third-Party Managers***

We may also elect to use Specialty Models managed by outside third-party managers. In evaluating, selecting, and monitoring these models, we are acting as a manager of managers. As with our internally managed Specialty Models, these specialized strategies may sometimes be more targeted than our tactical asset allocation models, or they may be unique in other ways. They may be selected for the purpose of offering additional opportunities for growth, diversification, and/or other potential benefits. Clients should also refer to the Form ADV Part 2 of the outside third-party manager, which we will provide, for a full description of their services.

#### Earth Equity Green Sage Sustainability Model

The objective is growth of capital from a global portfolio of stocks focused on companies with a “sustainability” ethic. (Sustainable investing in general terms considers the environmental, social, and corporate governance practices of companies in addition to traditional investment approaches.) Companies involved in the fossil fuel industry are not eligible for selection. The selection process will employ fundamental analysis in combination with other metrics. The portfolio will consist of 30-50 stocks of large, mid, and small cap companies, with no more than 4 stocks from any single industry. A minimum of 30% of the companies will be domiciled outside of the United States. The portfolio is reset annually and is reviewed for adjustments once at mid-year, when up to 20% of the portfolio may be changed.

Investments in foreign companies, small cap companies, and companies which are not yet profitable carry greater risks than the typical large U.S. company, so the inclusion of companies in those categories make this an aggressive growth strategy which is subject to higher than average volatility. In addition, exclusion of companies and industries which do not meet the strategy’s proprietary selection criteria may present a risk that the strategy will not be as effectively diversified as strategies that do not have these restriction.

#### First Ascent Global Explorer Models

These globally diversified portfolios are managed for five different levels of risk. The portfolios use a “core plus satellite” approach. The “core” typically consists of low-cost passive investments, such as index funds or exchange-traded funds (ETFs) that track domestic or international stock or bond markets. “Satellites” may consist of either passive index-tracking investments or actively-managed mutual funds; they will typically represent 0% to 50% of each portfolio. A primary focus is on keeping internal expenses and transaction costs low. The portfolios are managed for the long term and generally are traded only infrequently. Tax-sensitive versions of the portfolios are available.

There is a risk that the portfolios will not meet their specific investment objectives. There is an additional risk that active managers will not provide the positive contributions to the portfolio which are anticipated. There is also a risk that the index-oriented investments in portfolios will not precisely track the performance of the indexes they are intended to replicate.

#### Franklin Street Strategic Large Cap Growth

The objective is growth of capital at a rate greater than Russell 1000 Growth Index over a normal business cycle (typically 3+ years). The Russell 1000 Growth Index is an unmanaged index of U.S. large cap growth stocks.

Franklin Street measures the attractiveness of a business by evaluating its operating margins, returns on capital, and reinvestment opportunities. They believe that duration of growth is the most important factor in valuing a growth company, so particular focus is placed upon an assessment of a company’s sustainable advantages

within its marketplace. A valuation model is prepared for each company based upon return on invested capital, cost of capital, earnings growth rate, and expected duration of growth. Buy and sell decisions are based primarily upon the "warranted price/earnings ratio" established by this valuation model.

The portfolio is designed to consist primarily of high-quality large cap growth companies, but it may also invest in smaller companies when opportunities warrant. The portfolio typically holds 35-40 individual stocks. Growth equities are typically subject to greater risk than the broad equity market. In addition, there is a risk that the portfolio manager's assessments of value prove incorrect, causing the portfolio to underperform its index.

### ***Other Models***

Certain investment adviser representatives may, with the approval of the Chief Investment Officer, direct allocation strategy for models used only with their personal clients, based on their assessment of client financial circumstances and investment objectives. Allocation strategy is monitored by the Chief Investment Officer. All trading is conducted by one of our firm's portfolio managers.

\*\*\*

### ***Investment Risk***

It is important to note that there is no guarantee the investment objective of any model or strategy will be achieved. There is always a risk of losing money in any investment strategy, and there is no guarantee that strategies that have been successful in the past will be similarly successful in the future.

### ***Model Suitability***

Through personal discussions with each client in which the client's risk tolerance, personal and financial status, and account objectives are established, we help guide clients in selecting suitable model portfolios for their accounts. Each model is managed based on the portfolio objective of the model, rather than on each client's individual objectives. The Chief Investment Officer is responsible for monitoring all models for adherence to their stated strategies. To ensure continued suitability of the model selection(s) for each client's account(s), we will:

1. Seek to maintain regular communication with each client, no less than annually, consistent with the nature of the account and the client's desired frequency of communication. One objective of this periodic communication will be to stay informed of any change in financial circumstances or investment objectives that might warrant a change in model or composite selection, and to determine whether the client wants to make or modify any reasonable restrictions on the management of the account;
2. Send written account profile forms to each client no less than every 36 months requesting updated information regarding changes in the client's financial circumstances and investment objectives;
3. Require written confirmation from the client for all model changes, with suitability of the change approved by one of our firm's compliance principals.

## **INVESTMENT ADVISORY SERVICES: INDIVIDUAL PORTFOLIO MANAGEMENT**

### **Dividend Builder Strategy**

For accounts with a minimum of \$250,000 in assets, we will provide management of an individual portfolio of dividend paying securities. The primary goal of this strategy is to produce a relatively stable and growing stream

of dividends; growth of capital is a secondary objective. Companies will be selected in part based on an established record of earnings and dividend growth. They will also be screened with an objective of purchasing at attractive fundamental values, among other factors. The intent is to hold these securities through market ups and downs for the primary purpose of receiving the dividend income; however, companies are continually monitored and may be sold and replaced in the portfolio if they are considered to be significantly overvalued or if there may be tax benefits to the sale, among other considerations. Portfolios using the strategy will typically consist of 20 – 25 securities.

Clients may impose reasonable restrictions on securities to be held in their account and may in certain instances broaden the goals of the portfolio in consultation with the portfolio manager.

The portfolios will generally consist of individual stocks, although they may also hold a limited number of exchanged-traded REITs and/or master limited partnerships. Portfolio values can be expected to fluctuate with the equity markets, and there is always the potential to suffer significant loss of value in any individual security. As such, account holders should be prepared to weather sometimes significant fluctuations in value, despite the overall goal of maintaining a relatively consistent and growing dividend stream. In addition, dividend payments are not guaranteed to grow over time and may be discontinued by companies at any time.

#### Fixed Income Portfolios

For a minimum allocation of \$100,000, we will create and manage a customized portfolio of individual bonds and/or other fixed-income securities, including preferred securities and exchange-traded funds (ETFs). In limited instances, clients using this service may elect to include equity holdings in their portfolio under the same fee structure. The general intent is to hold the bonds in the portfolio until maturity for the purpose of receiving the interest income; however, companies are continually monitored and may be sold and replaced in the portfolio at the discretion of the portfolio manager.

The principal values of the securities in the portfolio will fluctuate, so there is a risk of loss if they are sold prior to maturity. Preferred securities and other fixed income securities are subject to market risk, along with credit, liquidity, and interest rate risk. Preferred securities in particular can be less liquid than other securities, making them very volatile under certain market conditions; selling these securities under such conditions can result in significant loss of value. Preferred securities typically do not have maturity dates and thus do not guarantee a return of principal at maturity. The portfolio manager will seek to manage credit risk by diversifying the portfolio, but portfolios of smaller sizes are likely to be less diversified.

Clients may impose reasonable restrictions on securities to be held in their account.

#### Capital Advisory Services

For a minimum allocation of \$1,000,000, we will create and manage a custom portfolio of fixed-income securities and/or stocks and other securities based upon individual client goals and objectives. Clients may impose reasonable restrictions on securities to be held and may in general give direction regarding any specific desires and preferences for their portfolio. Security selection will be guided by fundamental analysis along with other considerations pertinent to each account.

These portfolios will be structured with a goal of corresponding to the risk tolerance profile communicated to us by the client and/or their advisor. There are no guarantees those objectives will be met in all cases, and there is always a risk of loss, particularly in portfolios holding a smaller number of individual securities.

#### General

In other instances, a client may request that some or all the account assets be held outside of any model or strategy. In some cases, this will be a temporary circumstance for new clients of our firm who have transferred their assets to one of our custodians in-kind and are transitioning their accounts over a short period of time into our models. In all such cases, our firm provides continuous advice to the client regarding the investment of client funds based on the individual needs of the client. As a result of personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop and manage a suitable portfolio. We manage these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated objectives (i.e., aggressive, moderately aggressive, moderate, etc.), as well as tax considerations. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service, including those offered by a broker-dealer or insurance company, and can include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Equity options
- Foreign issuers
- Corporate debt securities (other than commercial paper)
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund and exchange traded fund (ETF) shares
- Exchange Traded Notes (ETNs)
- United States governmental securities
- Interests in partnerships investing in real estate
- Interests in partnerships investing in oil and gas interests

Because some types of investments involve higher degrees of risk, they will only be recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

#### **INVESTMENT ADVISORY SERVICES: INSTITUTIONAL PORTFOLIO MANAGEMENT**

Our firm may offer portfolio management services to institutional accounts, including defined benefit pension plans, endowments, foundations, and family offices. The investment strategy for each will be determined based

upon the needs and circumstances of the pertinent entity and will operate within the parameters of the entity's investment policy statement (IPS).

The selected strategy will typically utilize or mirror one or more of our model portfolios (described above), depending on the entity's risk tolerance profile, liquidity considerations, and time horizons.

To enhance our potential to uncover investment opportunities and to increase diversification options, our firm makes investment selections from a very broad range of asset classes, market sectors, and countries. Models may be invested at various times with exposure to U.S. and foreign equity and fixed-income securities, emerging markets equity and debt, commodities, real estate, and currencies. We may also purchase securities that short selected equity or fixed-income markets and thus increase in value when those markets decline. Such positions are most often used for hedging purposes in the management of portfolio risk.

Specific securities may be selected from open and closed-end mutual funds, exchange-traded funds (ETFs), and individual securities.

Although tactical asset allocation is frequently used with the intent of better managing overall market risk, the risk of loss inherent in securities markets remains. There can be no assurance that strategies will not result in greater risk of loss if our assessment of market conditions and choice of securities prove incorrect. Among other risks, the specific market anomalies which the strategies are seeking to exploit may change, and the timing of our adjustments to the portfolio may be inappropriate. In addition, if used alone, securities with direct exposure to commodities, emerging markets, and currencies traditionally have greater risk than average large company U.S. stocks and bonds; by using them as part of a larger asset allocation strategy, even when our intent is to actually reduce overall portfolio risk, there is no guarantee we will implement that objective successfully.

The entity's IPS may place restrictions on investing in certain securities or types of securities.

### **INVESTMENT ADVISORY SERVICES: SUB-ADVISORY, AND THIRD-PARTY MANAGER SERVICES**

Our firm may offer certain of the above services on various custody and third-party platforms through sub-advisory or third-party manager agreements with outside Investment Advisers. Under these agreements, we may provide to clients of the outside Investment Advisers or platforms any of the model portfolio strategies outlined above, depending upon the terms of each specific agreement. In some cases, the investment advisory services may be provided in conjunction with various administrative and operational services, including fee calculation and trade management, as part of a turnkey asset management platform. Administrative and operational services may also be offered independent of investment management services. Under the terms of these agreements, we do not have direct contact with the individual clients and do not make a determination of the suitability of the model selected. That responsibility remains with the Investment Adviser and/or the client which is electing to use our portfolio management services. In some arrangements, we may elect to provide an investment strategy selection guide to assist in this process.

### **RETIREMENT PLAN SERVICES**

#### **INVESTMENT ADVISORY SERVICES TO RETIREMENT PLAN SPONSORS**

We provide various advisory services to pension plans either separately or in combination. Clients for these services may include 401(k) plans, 403(b) plans, 457(b) plans, other defined contribution plans, defined benefit plans and/or profit-sharing plans.

*Investment Policy Statement Preparation (IPS)* - We may assist the plan sponsor in developing an appropriate investment strategy that reflects the plan sponsor's stated investment objectives for management of the overall plan. Using this information, we will prepare a written IPS detailing objectives, responsibilities, investment guidelines, and monitoring criteria, among other considerations.

*Selection of Investment Vehicles* - We may screen and recommend to plan sponsors an appropriate menu of investment options for plan participants, taking into consideration fund management, expenses, risk characteristics, and asset class, among other factors.

*Monitoring of Mutual Funds / Investment Managers* - We may monitor the plan's fund lineup on a quarterly basis and provide reports to the plan sponsors. Included in our reports will be funds that have been placed on "watch lists" for possible replacement and recommendations for replacement of funds when we believe such action is warranted.

*Employee Communications* - We may provide educational support and investment workshops designed for the plan participants. The nature of the topics to be covered will be determined by us and the client. Where pertinent, will follow the guidelines established in ERISA Section 404(c).

*Model Portfolios* - If this feature is selected by the plan sponsor, our firm will provide one or more of our Tactical Asset Allocation Models (described above) as investment options for plan participants. If a participant selects one of our models, we will manage the assets for the participant on a discretionary basis according to the specific strategy of that model.

*Plan Design Consulting* - We may review plan document provisions, features, and benefits elected under the governing document. A qualified consultant will lead a review of available and elected plan features, in coordination with the plan document provider and designated plan administrator. Plan design considerations will include plan sponsor objectives, organizational structure, available plan arrangements and optimization of benefits.

*Compliance Review* - We may coordinate operational controls through collaboration among all appropriate parties, including the plan sponsor, plan administrator, plan auditor, ERISA attorney, and among others. Responsibility for plan compliance rests exclusively with the plan sponsor, but through effective collaboration and administrative procedures, plan related compliance can be handled effectively and efficiently, and in compliance with relevant regulations.

*Vendor Management* - Our consulting services may support vendor analysis and review for the multiple service providers involved in plan administration, including payroll service providers, third party plan administrators, plan auditors, ERISA attorneys, plan custodians, record keepers, participant service providers, advisors and software service providers.

*Vendor Fee/Service Reviews* - We may offer third party benchmark reporting to assist in evaluating reasonable fees charged by service providers offering plan services as an ERISA covered service provider.

*Other Fiduciary Services* - We may accept written designation as a Fiduciary to the plan under either ERISA Section 3(21) or ERISA Section 3(38).

## **PLAN GOVERNANCE SERVICES**

The PlanScope360 division of Verity Asset Management, in addition to providing many of the services outlined above, focuses specifically on plan governance services for tax-exempt and governmental defined contribution plans. PlanScope360's services seek to enhance a plan's efforts at stewardship, operational excellence, and efficiency. Service options fall into the categories of Governance, Operations, Plan Design, Provider Management, Participant Engagement, Plan Economics and Lifetime Income.

## **OTHER SERVICES**

### **ALLOCATION ALERT SERVICE**

We provide a portfolio monitoring and allocation alert service to participants in certain defined contribution retirement plans, such as 401(k)s, on a non-discretionary basis. The allocation alert service provides specific recommendations to clients regarding the allocation of investments in their retirement accounts. Recommendations are provided via email, and the client is responsible for implementing the recommended investment allocations. The account monitoring and recommendations are based on each client's personal risk profile, financial circumstances, and objectives.

Strategies offered fall into three categories each with a different degree of market risk:

- Conservative (formerly "Moderate") – The objective is moderate growth, but with an equal and sometimes greater focus on controlling risk.
- Balanced Growth (formerly "Core") – The primary objective is growth, with a secondary focus on controlling risk.
- Dynamic Growth (formerly "Aggressive") – The objective is maximum longer-term growth. Greater potential for loss and more significant fluctuations in value are to be expected.

There can be no guarantee that the strategies will be successful. As with all investments, there is a risk of loss.

### **NON-DISCRETIONARY ADVICE TO RETIREMENT AND MANAGED ACCOUNT PLATFORMS**

Acting as a strategist, we may provide recommendations and investment advice regarding the construction and maintenance of model allocations to retirement platforms and /or managed account platforms. For each model provided, our services will include recommended securities, weightings of each security, and changes to the weightings. We will not have control over actual execution of trades in any respect, including the timing of execution. We will not have discretion over client accounts or access to individual client information.

## **FINANCIAL PLANNING**

On a limited basis, we may provide financial planning and consulting services for a fee. Clients using this service will typically receive a written report focusing in the areas of retirement planning, survivorship planning, education planning, investment allocation, and long-term care planning. Alternatively, a client may elect consultation services in one or more specific areas.

We gather the necessary information through in-depth personal interviews and from financial documents provided by the client. Typically, the financial plan is presented to the client within six months of the contract date, provided that all information needed to prepare the financial plan has been promptly provided.

Implementation of financial plan recommendations is entirely at the client's discretion. Should we offer our investment management or financial products in addition to financial planning services, there is a potential conflict of interest since there is an incentive for us to recommend products or services for which we may receive



additional fees or commissions. However, financial planning clients are under no obligation to act upon any of our recommendations or to purchase any other products or services offered by our firm.

## ADVISORY REFERRAL SERVICES

In very limited instances, our firm may receive compensation for referring a client to another registered investment adviser which offers services different from our own. Based on a client's individual circumstances and objectives, we may recommend the other investment adviser's services and assist the client in completing the other investment adviser's account paperwork. In any such instance, we will ensure that all federal and/or state requirements governing solicitation activities are met.

## Item 5 Fees and Compensation

### DISCRETIONARY INVESTMENT ADVISORY SERVICES FALL INTO SEVERAL CATEGORIES

***Full investment advisory fees are illustrated on the combination Account Application / Investment Advisory Agreement package you execute for each account. Please read these documents carefully and thoroughly. Some account agreements have only a single investment advisory fee; however, total fees you pay to Verity may consist of a combination of different fees variously described as Investment Advisory Fees, Investment Management Fees, Additional Fees for certain Models or Strategies, and/or Platform Fees. Each fee, where applicable, is based upon a component of the overall service being provided to you; each has a specific purpose. Please ask your Investment Advisor Representative to identify and explain all fees to you. The information below provides an overview of the various fees that may apply to you depending on the type of account and your personal goals and circumstances, but full fee information for your account(s) will be found on your Account Application / Investment Advisory Agreement package(s).***

Investment advisory fees are paid in arrears unless indicated otherwise. Fees are due on the first day of the calendar quarter and are based on each account's average daily balance during the prior calendar quarter unless indicated otherwise. Fees are prorated for accounts opened during the quarter.

### **(1) Comprehensive Investment Advisory Services for Individual Accounts at Axos Advisor Services, Charles Schwab Institutional, Fidelity IWS, and PCS**

Our firm provides comprehensive investment management services for accounts held in custody at Axos Advisor Services, Charles Schwab Institutional, Fidelity IWS, and PCS.

#### **Basic Advisory Fees**

Annualized Fees:

	Assets Under Management (Per Custodian)	
First	\$100,000	1.50%
Next	\$ 50,000	1.20%
Next	\$100,000	1.15%
Next	\$250,000	0.95%
Next	\$250,000	0.75%

Next	\$250,000	0.60%
Next	\$1.5 million	0.50%
Above	\$2.5 million	0.45%

Exceptions are the Enhanced Income Model and the Tax-Exempt Income Model. Neither of these models are subject to the basic investment advisory fee. The Enhanced Income Model has a flat 0.60% annual advisory fee, and the Tax-Exempt Income Model has a flat 0.90% annual advisory fee.

Alternate fee arrangements are available and may be agreed upon based on individual circumstances. We may group certain related accounts for the purpose of determining fees. Accounts holding unmanaged securities only will not be charged an investment advisory fee. Employees of Verity Asset Management will not be charged an investment advisory fee for their Verity 401(k) plan accounts.

In early 2021, E\*Trade Advisor Services (now Axos Advisor Services) transferred all 403(b) accounts previously held at E\*Trade Advisor Services to the PCS Retirement custody platform. Advisory fees did not change, and grouping of PCS accounts with related accounts remaining at Axos Advisor Services for fee purposes did not change; however, the fee calculation methodology for PCS accounts is based on the end of quarter valuation rather than average daily balance.

For further details regarding other fees and expenses, please see “General Information” below.

#### **Model-Specific and Strategy-Specific Investment Management Fees**

In addition to the Basic Advisory Fee, there may be specific investment management fees for certain models and individual portfolio strategies.

Maximum annualized fees for Verity Small/MidCap Value, Tactical MultiCap Value, and MultiCap Value:

	Assets Under <u>Management</u>	
First	\$ 50,000	0.45%
Next	\$ 50,000	0.40%
Above	\$100,000	0.35%

Maximum annualized fees for Verity Opportunistic Income and Verity Tax-Advantaged Income:

	Assets Under <u>Management</u>	
First	\$100,000	0.35%
Above	\$100,000	0.30%

Maximum annualized fees for Verity Domestic Equity Opportunity:	0.00%
Maximum annualized fees for Verity Conservative Total Return:	0.15%
Maximum annualized fees for Verity Real Estate Value:	0.30%
Maximum annualized fees for Verity Dividend Builder Strategy:	0.35%

Maximum annualized fees for Individual Fixed Income portfolios, or Capital Advisory Services:

First Year*	0.30%
Subsequent	0.10%

(\* The First Year will run from the initial funding date through the end of the fourth full calendar quarter.)

Maximum annualized fees for models managed by outside third-party managers:

Franklin Street Strategic Large Cap Growth:	0.60%
First Ascent (all models)	0.25% (charged only to the first \$200,000 in assets)
Earth Equity Green Sage Sustainability	0.40%

Fees for anyone holding a Specialty Model prior to May 30, 2012 will not be subject to change for assets invested in that specific model. Fees for anyone holding Tactical MultiCap Value prior to July 1, 2013 will not be subject to change.

Any fees may be applied at lower rates at the discretion of management.

## **(2) Investment Advisory Services for Certain Defined Contribution Plan Participants and Fidelity NTF Fund Platform Accounts**

Our firm provides ongoing account management to individual participants in defined contribution retirement plans and certain mutual fund custody platforms. Investment options are typically restricted to NTF (No Transaction Fee) mutual funds and exchange traded funds. In limited instances, exchange traded funds which are subject to transaction fees may be used if a substitution is deemed to be in the best interest of the client and a comparable NTF fund is not available. Our firm does not receive any benefit from transaction fees.

Annualized Fees:

	<u>Assets Under Management</u>	
First	\$250,000	1.25%
Next	\$250,000	1.10%
Next	\$250,000	0.95%
Above	\$750,000	0.80%

Alternate fee arrangements are available and may be agreed upon based on individual circumstances. Under these arrangements, the maximum total annual fee that may be charged, including investment management and investment advisory fees, is 1.25% on all platforms other than the Aspire and IPX platforms. **The maximum total annual fee on the Aspire and IPX platforms is 1.95%.** Fees charged at higher rates under Investment Advisory Agreements pre-dating this document may be currently grandfathered but can be renegotiated at the request of the client.

We may group certain related accounts for the purpose of determining fees. Fees for accounts established prior to 10/1/2009 and accounts established between 10/1/2009 and 12/31/2011 will not be subject to increase. In certain instances, where no advisor fee collect provision is incorporated into an employer plan, we will have discretion to waive management fees for participants of the plan.

## **(3) Investment Advisory Services for Institutional Accounts**

Our firm offers comprehensive investment management services for institutions such as defined benefit pension plans, foundations, endowments, and family offices. Rates are negotiable.

## **(4) Sub-Advisor, Third Party Manager, Investment Strategist, and Solicitor Arrangements**

Our firm may enter into agreements to serve as a sub-advisor, third-party manager, or investment strategist for outside Investment Advisers or investment platforms or through turnkey asset management platforms. We may also enter into solicitor agreements with outside Investment Advisers. Under these various agreements, we may provide discretionary account management, non-discretionary asset allocation advice, and/or related administrative services. Rates payable for these services are negotiable. We will disclose our rates as may be applicable under each of these agreements on any of our pertinent documents and/or marketing materials.

\*\*\*\*\*

**[Exception to section (1) Comprehensive Investment Advisory Services for Individual Accounts, above]**

On January 1, 2014 Verity Asset Management accepted client assignment of certain Investment Advisory accounts from Chatham Advisors, LLC. Investment Advisory accounts that were assigned and accepted from Chatham Advisor, LLC on the Charles Schwab custody platform are “grandfathered” for purposes of fee billing. These accounts and a limited number of newer accounts held on the Schwab platform continue to be billed quarterly in advance based on the market value of the assets under management at the end of the previous calendar quarter. If such a Client Agreement is terminated, a pro-rata portion of any advisory fees that were paid but not yet earned as of the date of termination will be promptly refunded to the client.

\*\*\*\*\*

**General Information**

***Termination of the Advisory Relationship:*** A client will have a period of five (5) business days from the date of signing an investment advisory agreement to unconditionally rescind the agreement and receive a full waiver of all fees. Thereafter, an investment advisory agreement may be canceled at any time, by either party, upon receipt of thirty (30) days written notice. Upon termination of any account, fees will be prorated to the date of termination, and any prepaid, unearned fees will be promptly refunded.

***Third-Party Manager Fees:*** In certain instances, we may select third-party managers to manage parts of a client's account. These third-party managers will charge investment advisory fees for their services. In some cases, a client may have the option of investing directly with the third-party manager for a lower fee, without our services. In that case, the client would not receive the services provided by our firm which are designed, in part, to assist the client in allocating their investments in a diversified manner and seeking appropriate points at which to enter and exit various strategies. The client should review both the fees charged by the third-party managers and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Mutual Fund, Exchange Traded Fund (ETF), and Exchange Traded Note (ETN) Fees:*** The majority of client accounts with our firm will contain mutual funds, ETFs and/or ETNs, each of which charge certain fees and expenses to their shareholders (often expressed as an “expense ratio”). All fees paid to our firm for investment advisory services are separate and distinct from the mutual fund, ETN and ETF fees and expenses. These fees and expenses are described in each fund's prospectus and will generally include a management fee, other fund expenses, and, possibly, a distribution fee. In our role as investment advisor, we do not accept distribution fees, nor do offer mutual fund share classes which would pay us either an initial or a deferred sales charge. However, a client could invest in a fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, in part, to assist the client in allocating their investments in a diversified manner and seeking appropriate points at which to enter and exit various funds. The client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client

and to thereby evaluate the advisory services being provided.

**Additional Fees and Expenses:** In addition to our advisory fees and any fees associated with mutual funds, ETFs, ETNs or third party managers, clients are also responsible for any transaction fees imposed by custodians or broker dealers and any custody fees or other fees and expenses charged by custodians, unless indicated otherwise. Certain clients may have requested of their brokerage custodians that they be permitted to maintain borrowing capability (margin) within their accounts. Clients are responsible for any fees or expenses charged by their custodian for these borrowing arrangements. Borrowing capability may only be accessed by the client and under no circumstances will be utilized by Verity to purchase additional securities for the client. Clients understand that the proceeds of any securities liquidation will first reduce any current margin debit balances. Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV Part 2 for additional information.

**ERISA Accounts:** In providing discretionary account management services to clients with certain qualified retirement plan accounts, our firm is acting as a fiduciary under the Investment Advisers Act of 1940, and to the extent applicable, a fiduciary under the Employee Retirement Income Security Act of 1974 ("ERISA"). Neither our firm, nor any affiliate, reasonably expects to receive any compensation, direct or indirect, for its services other than those advisory fees specified within the governing advisory agreement with the client. If we receive any other compensation for such services, we will (i) offset that compensation against our stated fees, and (ii) will disclose the amount of such compensation and the payer of such compensation.

**Fee Deduction and Billing:** Wherever available, advisory fees will be deducted directly from one or more of the client's accounts. Where fee deduction is not available, the client may pay fees via direct billing or ACH.

**Advisory Fees in General:** Clients should note that similar advisory services may be available from other registered (or unregistered) investment advisers for similar or lower fees.

**Limited Prepayment of Fees:** Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

\*\*\*\*\*

## RETIREMENT PLAN SERVICES

Our firm provides services to retirement plans and plan sponsors that include plan governance, selection and monitoring of investment options, and various other fiduciary and non-fiduciary services, as outlined in Item 4 above. Investment advisory fees are paid quarterly in arrears. Fees are due on the first day of the calendar quarter. Rates are negotiable. Fees may be payable based on the average daily balance, the balance at the mid-point of the quarter, the end of quarter balance, or some other appropriate basis agreed upon in writing between the parties. Alternatively, the fee may be stated as a flat rate agreed upon between the parties.

## ALLOCATION ALERT SERVICE

The annual fee for this service is 1.00% of the first \$250,000 of applicable retirement plan assets, 0.85% of the next \$250,000, and 0.70% of any plan assets above \$500,000. These fees are paid quarterly in arrears based on the account's value on the last day of the prior calendar year. Fees are due on the first day of the calendar quarter and will be prorated for accounts opened during the quarter.

The minimum account size for this service at the time of application will be \$100,000. Our firm's Compliance Officer may make limited exceptions based upon facts and circumstances.

A client will have a period of five (5) business days from the date of signing the Allocation Alert agreement to unconditionally rescind the agreement and receive a full waiver of all fees. Thereafter, either party may terminate the agreement with 30 days written notice. Upon termination, fees will be prorated to the date of termination, and

any unearned portion of the fee will be refunded to the client.

Clients should also note that lower fees for comparable services may be available from other sources.

### **NON-DISCRETIONARY ADVICE TO MANAGED ACCOUNT PLATFORMS**

Our firm may provide recommendations and investment advice regarding the construction and maintenance of model portfolios to the manager of a managed account platform. Rates payable to our firm by the managed account platform are negotiable.

### **FINANCIAL PLANNING**

Our Financial Planning fees may be either hourly or fixed. They are based on the nature of the services being provided and the complexity of each client's circumstances. Fees are negotiable and are agreed upon prior to entering into a contract with any client.

Hourly fees will typically range from \$100 to \$250 per hour. Although the length of time it will take to provide a Financial Plan will depend on each client's personal situation, we will provide an estimate for the total hours at the start of the advisory relationship. Hourly fees are due and billable in arrears, on a quarterly basis based upon an itemized statement of work,

Fixed fees will typically range from \$500 to \$10,000, depending on the specific arrangement reached with the client. The lesser of \$500 or one-half of any fixed fee is due as an initial deposit upon completion of our initial fact-finding session with the client. The balance is due upon completion of the plan.

The client will have a period of five (5) business days from date of execution to unconditionally rescind the Agreement and receive a full refund. Thereafter, the client may terminate the Agreement by providing us with written notice prior to delivery of the plan or completion of services. Upon termination, the client will be responsible for time expended at the stated hourly rate as earned compensation, and the unearned portion of any deposit will be refunded.

***Financial Planning Fee Offset:*** We reserve the discretion to reduce or waive the hourly fee and/or the minimum fixed fee if a financial planning client chooses to engage us for our investment supervisory services.

The client will be billed quarterly in arrears based on actual hours accrued.

### **ADVISORY REFERRAL SERVICES**

Our fees for referrals to another investment adviser are paid by the referred adviser, who shares with our firm a percentage of the fees received from the client. Clients will receive a separate disclosure document describing the fee paid to us by such adviser(s). Clients should refer to that adviser's disclosure document for information regarding its fees, billing practices, minimum required investments and termination of advisory agreements.

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

Verity Asset Management, Inc. does not charge performance-based fees.

## Item 7 Types of Clients

Verity Asset Management, Inc. offers advisory services to the following types of clients:

- Individuals (both high net worth and other than high net worth individuals)
- Pension and profit-sharing plans
- Institutional clients (including endowments and foundations)
- Corporations or other businesses not listed above
- Other registered investment advisers

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

### INVESTMENT STRATEGIES

We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Asset Allocation.** Asset allocation is an investment strategy that seeks to balance risk and reward by diversifying a portfolio across multiple asset classes, such as stocks, bonds, and cash, rather than focusing primarily on individual security selection. It focuses on general movements in complete markets or market sectors rather than on performance of individual securities.

**Tactical Asset Allocation.** Tactical asset allocation is an active version of the strategy that seeks to improve risk adjusted returns by modifying the allocation mix to benefit from market pricing anomalies and/or market trends. Although this strategy is used with the intent of managing overall market risk, the risk of loss inherent in securities markets remains. One risk of asset allocation is that the client may not participate in sharp increases in a particular security, market sector, or overall market. Another risk of tactical asset allocation is that the strategy may underperform if our assessment of market conditions and choice of securities prove incorrect. Among the additional factors, the specific market anomalies which the strategy is seeking to exploit may change or disappear in the future, or the timing of our adjustments to the portfolio may be inappropriate.

Note that in using cash as an asset class for tactical purposes, there may be periods of time when the return on the cash allocation in a portfolio will be less than the advisory fee.

**Value Strategies.** A value strategy will use one or more methods of screening a group of stocks to identify those stocks that may be underpriced relative to other stocks within the same group or classification. The strategy is based on the belief that the prices of the underpriced stocks will ultimately increase relative to other stocks, closing this value gap and causing these stocks to outperform. Risks of this strategy include (1) incorrect price analysis and (2) the potential for selected companies to experience problems in sales, operations, management, or other areas that cause their prices to fall further relative to other stocks.

**Income Strategies.** Our income strategies are designed to invest in targeted groups in income securities or flexibly across a broad range of income-generating securities in an ongoing search for the more favorable opportunities in the current market environment. The strategies that invest across a broad range of income-generating securities are generally constructed to invest across two underlying core sub-strategies: (1) traditional income securities, and (2) non-traditional income securities. Each of these sub-strategies is designed to provide

unique sources of return and diversification for the portfolio. Risks to individual securities in the portfolios include but are not limited to credit risk, liquidity risk and interest rate risk; in addition, performance may suffer relative to less dynamic income strategies if the analysis of market conditions and/or the timing of allocation changes prove unfavorable.

## METHODS OF ANALYSIS

In an effort to enhance our asset allocation strategies, we use the following methods of analysis in setting allocation target percentages and in decisions of which asset classes to own and when to buy or sell:

**Fundamental Analysis.** We attempt to understand the intrinsic value of securities by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition of companies themselves) to determine whether companies or markets are underpriced or overpriced. We also examine these factors to try to evaluate whether current financial trends, such as profit growth, are sustainable.

Fundamental analysis does not attempt to anticipate market movements. This presents a risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the security.

**Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior that may predict future price movement. One element of technical analysis is charting. In this type of technical analysis, we review charts of market activity in an attempt to identify important support and resistance levels and to identify major and minor trends. (Levels of support are prices below which a security is less likely to fall; levels of resistance are prices above which a security is less likely to rise.)

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that poorly managed or financially unsound companies may underperform regardless of our analysis.

**Qualitative Analysis.** We may subjectively evaluate non-quantifiable factors such as quality of management, potential shifts in demand, strength of research and development, and various other factors not readily subject to measurement, and predict changes to share price based on that analysis.

A risk in using qualitative analysis is that our subjective judgment may prove incorrect.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## HOLDING PERIODS

In responding to the various methods of analysis and executing our investment strategies, we may use a variety of holding periods for the securities making up a client's portfolio:

**Long-term purchases.** We purchase certain securities with the idea of holding them in the client's account for a year or longer. Typically, we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we believe conditions are favorable for a particular asset class to trend higher in price over time or provide a risk management benefit, regardless of the potential shorter-term projections for this class.

One risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Another is that, if our expectations prove incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases.** We purchase certain securities with the idea of selling them within a relatively shorter time (typically less than a year). We do this in an attempt to take advantage of conditions that we believe may result in a shorter-term swing in the price of the securities.



One risk is that the price may weaken sooner than we anticipate, leaving us with a potential loss. In addition, this strategy will result in some increase in transaction costs as well as the less favorable tax treatment of short-term capital gains for securities held in taxable accounts.

**Trading.** In a limited number of models or accounts, we may purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage brief price swings.

Trading presents a much greater timing risk than other strategies; selling at an inopportune time may result in a reduced gain or an increased loss. In addition, this strategy may result in some increase in transaction costs as well as the less favorable tax treatment of short-term capital gains for securities held in taxable accounts.

### **THIRD-PARTY MANAGERS**

For some model portfolios, we may use outside third-party managers. These managers may use strategies, methods of analysis, and holding periods different from those outlined above. When placing accounts into models specific to such outside third-party managers, we will provide a copy of the outside manager's Form ADV Part 2 to illustrate this information as it applies to their model(s).

### **RISK OF LOSS**

Regardless of investment strategy, methods of analysis, or holding periods, securities investments are not guaranteed. You may lose money on your investments.

## **Item 9    Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. Our firm and our management personnel have no reportable disciplinary events to disclose.

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

### **AFFILIATIONS**

Verity Financial Group, the parent company of Verity Asset Management, Inc. is an affiliated firm which is engaged in sales of selected life insurance and fixed annuity products.

Verity Investments, Inc., an affiliated company that is also a wholly owned subsidiary of Verity Financial Group, Inc., is a FINRA member broker-dealer.

### **MANAGEMENT PERSONNEL REGISTRATIONS**

In addition to their primary role as investment adviser representatives of our firm, certain management personnel of our firm may be registered representatives of Verity Investments, Inc., our affiliated broker-dealer or may be licensed as agents for various insurance companies. In addition to providing investment advice on a fee basis, such persons may recommend and sell securities, insurance, or other products on a commission basis through associated companies. Clients are, of course, not under any obligation to purchase any financial product. The implementation of any or all recommendations is solely at the discretion of the client.

As previously disclosed, we may in isolated instances recommend the services of another registered investment adviser to our clients. In exchange, we receive a referral fee from the selected investment adviser. The fee received by us is a percentage of the fee charged by that investment adviser to the client.

Clients should be aware that the receipt of additional compensation by Verity Asset Management, Inc. and/or its management persons or employees creates a conflict of interest that could impair the objectivity of our firm and these individuals when making advisory recommendations. Our firm endeavors at all times to put the interest of our clients first as part of our fiduciary duty as a registered investment adviser. In addition, we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn other compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase products or services we recommend;
- we collect, maintain and document relevant client background information, including the client's financial goals, objectives and risk tolerance to properly assess the suitability of various products and services;
- we conduct reviews of each client account at appropriate intervals to carefully verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our employees provide prior notice of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically review these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Verity Asset Management, Inc. and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of all securities transactions in outside brokerage accounts by the firm's access persons to assure that no personal trading disadvantages clients in any way; our Code of Ethics requires the prior approval of any purchase of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Verity Asset Management, Inc.'s Code of Ethics does not permit insider trading. It includes policies and procedures designed to prevent the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [Compliance@verityinvest.com](mailto:Compliance@verityinvest.com), or by calling us at 919-490-6717 (Ext. 109).

### **PERSONAL SECURITIES TRANSACTIONS**

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any associated person(s) may have an interest or position in a certain security which may also be recommended to a client. Associated persons may buy or sell securities for their personal accounts based on investment considerations which our firm may not deem appropriate for clients.

In all cases, client orders are given priority. In no case will an associated person receive a better price or more favorable circumstances than a client in trading executed by the firm. Personal transactions of associated persons are regularly monitored to ensure that client interests are put first in all relevant circumstances.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price, and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation. See Item 12 for further information.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. No person employed by us may knowingly purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.

4. We require prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of anyone associated with our firm that has access to advisory recommendations ("access person").
6. We have established procedures for the maintenance of all required books and records.
7. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
8. We require delivery and acknowledgment of the Code of Ethics by each supervised person of our firm.
9. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
10. Any individual who violates any of the above restrictions may be subject to termination.

As disclosed in the preceding section of this Brochure (Item 10), related persons of our firm may be separately registered as securities representatives of a broker-dealer and/or appointed as an insurance agent of various insurance companies. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

### **ACCOUNT TRANSFERS**

Our firm has different fee schedules for Comprehensive Investment Advisory Services and Investment Advisory Services for Defined Contribution Retirement Plan Participants (as noted in Item 5).

Whenever our firm and/or any of our personnel would receive a higher fee or other incentive for recommending a rollover or transfer to a different plan and/or custody platform, this would create a conflict of interest that could impair the objectivity of our firm and these individuals when making advisory recommendations. Our firm endeavors at all times to put the interest of our clients first as part of our fiduciary duty as a registered investment adviser. In such a situation, we will recommend a rollover or transfer to the client only if we believe there is strong reason to believe the transfer is suitable and is in the client's best interest. We will disclose to the client the existence of all material conflicts of interest, including any difference in fees between the two plans or platforms and the potential for our firm and our employees to earn greater compensation as a result of such a transfer. We will disclose to the client that he or she is not obligated to purchase products or services we recommend, and that he or she should carefully consider the pros and cons before making any decision to implement a transfer.

### **MODEL PORTFOLIO FEE DIFFERENTIALS**

Certain models or investment strategies have added fees, as illustrated in Item 5. In general, the additional fees are either primarily or fully applied to cover the added expense of investment management personnel and software used in the management of those particular strategies. Using such personnel and software for security research and selection may in some cases help reduce or eliminate other client expenses, such as mutual fund and ETF expense ratios. However, the ability of the firm to generate higher revenues from some models or strategies may also in some cases create a conflict of interest for members of the firm's senior management, potentially impairing the objectivity of these individuals when making advisory recommendations. Our firm endeavors at all times to put the interest of our clients first as part of our fiduciary duty as a registered investment adviser. In addition, we disclose to clients that they are not obligated to purchase products or services we recommend; and we collect, maintain and document relevant client background information, including the client's financial goals, objectives and risk tolerance, to properly assess the suitability of various products and services.

### **PROPRIETARY MUTUAL FUND**

We have one proprietary product, the Verity U.S. Treasury Fund (the "Fund"), a no-load open-end mutual fund. The Fund is a series of the Series Portfolio Trust.

In some Investment Advisory accounts, we allocate the assets in each account by selecting a portfolio of mutual funds to meet the overall account objectives. If we select the Verity U.S. Treasury Fund as one of those allocations, we have a conflict of interest, because we have the opportunity to profit from investment advisory fees charged by the Fund. When we select the Fund in your portfolio, we will do so through the discretionary trading authority you granted to us in the execution of your Investment Advisory Agreement. Your discretionary authority allows us, without prior discussion, consultation, or consent from you, to buy the Fund in your account(s).

When we select the Verity U.S. Treasury Fund as one of the funds in an account, we are handling two separate functions: (1) providing ongoing investment advisory services to the client that include allocating the account to meet the client's investment objectives and (2) conducting the research, trading, and various other activities involved in managing the mutual fund. Typically, these functions are performed by different individuals within the Firm. We are compensated separately for each of these functions.

When we select the Fund, it is our objective to add value to the portfolio. Given the background and experience of the Portfolio Manager of the Fund, we believe there is a potential benefit to clients if we are able to determine the portfolio management decisions for the Fund in a manner consistent with our investment philosophies and the specific way in which we are seeking to use Treasury securities within client portfolios. There is, however, no guarantee that we will succeed in adding value or that performance may not be greater using a different fund or funds.

## **Item 12 Brokerage Practices**

Generally, our firm will not select the broker-dealer to be used in executing transactions placed through the investment advisory platforms of our custodians. However, in certain limited circumstances, we may direct the custodian to place transactions through a specific broker or dealer if we have determined that, by doing so, we may obtain for the client a more favorable commission, exchange rate, or trade execution. We do not receive any added value, including research or services, for directing transactions to any broker or dealer.

### **BLOCK TRADING**

Client accounts are generally associated with one or more model portfolios. Our custodians' proprietary model processing software aggregates individual orders from accounts within each of the various models into block orders to purchase or sell specific securities. Among other factors, this permits us to execute trades in a timelier, more equitable, and less expensive manner. Each client's personal account records will illustrate the securities held by, and bought and sold for, that account.

In executing block transactions, no client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all transactions made to fill the order. Transaction costs will be charged to clients on a pro-rata basis in proportion to each client's participation. Our firm will receive no additional compensation of any kind as a result of aggregation of orders.

If we are buying or selling a given security in accounts at more than one custodian, we will typically aggregate trades only among those clients whose accounts can be traded at a single custodian. Where applicable, we will rotate or vary the order of custodians through which we place trades on any particular day.

If block orders cannot be completely filled, we may be forced to allocate the partially filled orders among the accounts participating in the order. The methodology to be used, which is implemented by the custodian's software, is based upon the general principle that securities being purchased are allocated based upon the relative size of each account and securities being sold are allocated in proportion to the size of each account's position in that security after first selling all positions for accounts that may be terminating and transferring. Partially filled orders will be allocated pro-rata based upon these principles. We will maintain records of all partially filled orders which are manually allocated reflecting review by either the Chief Investment Officer or the Chief Compliance Officer of the securities bought and sold by each account.

The order may be allocated on a basis different from these stated policies if all client accounts receive fair and equitable treatment and the reason for the different allocation is explained and approved in writing by our Chief Compliance Officer no later than one hour after the opening of the markets on the trading day following the day the order was executed.

Trades for persons associated with our firm are included in these policies. Thus, in the event of a partially filled order, accounts for associated persons will participate in the pro rata allocation along with all other participating accounts.

### **CUSTODY RELATIONSHIPS**

Verity Asset Management, Inc. has arrangements with AXOS Advisor Services ("E\*Trade"), Fidelity Brokerage Services / National Financial Services LLC ("Fidelity"), TIAA-CREF, Charles Schwab and Company, Inc. ("Schwab"), TD Ameritrade, PCS, and IPX/FPS (the "Custodians") through which each custodian provides our firm with their "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services. These services are intended to support intermediaries like Verity Asset Management, Inc. in conducting business. They are designed to serve the best interests of our clients, but they may also benefit us.

AXOS, Fidelity, Schwab, and TD Ameritrade may in certain instances charge brokerage commissions and other transaction fees for effecting certain securities transactions. Any commissions and transaction fees charged by each Custodian may vary and may also be higher or lower than those charged by other custodians and broker-dealers.

Our firm may also receive additional services from certain of the Custodians, which may include portfolio management technology and performance accounting services, among other things. Without these arrangements, we might be compelled to purchase the same or similar services at our own expense.

As a result of receiving such services for no additional cost, we may have an incentive to continue to use or expand the use of one or the other Custodian's services. We examined this potential conflict of interest when we chose to enter into each of these relationships and have determined that the relationships are each, in the appropriate situations, in the best interests of our clients and that they satisfy our client obligations, including our duty to seek best execution. A client may pay a commission, custody fee, or other expense that is higher than another qualified broker-dealer might charge to effect the same transaction or service where we determine in good faith that the charge is reasonable in relation to the value of the overall services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a custodian or broker-dealer's services, including the value of execution capability, commission rates, responsiveness, and related services. Accordingly, while Verity Asset Management, Inc. will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates or other expenses for specific client account transactions and services. We are not affiliated with any of these Custodians.

## Item 13 Review of Accounts

### INVESTMENT ADVISORY SERVICES: MODEL PORTFOLIO MANAGEMENT

**Reviews:** Our firm places accounts into one or more model portfolios except in limited cases where clients elect to hold assets in a non-modeled status. Model portfolios are designed and managed under the supervision of the Chief Investment Officer to conform to defined investment objectives. New account paperwork submitted by clients is reviewed by a compliance principal to verify suitability of the model or other investment selection(s) prior to acceptance of the account, and client requests for model portfolio changes, which must be in writing, are also reviewed for suitability. Models are monitored regularly by the respective portfolio manager and the Chief Investment Officer for consistency with their investment objectives, and trades are monitored by the Chief Investment Officer using a Daily Trade Blotter. Electronic systems at custodians or third-party software providers allow portfolio managers to identify any accounts within a model that have become imbalanced beyond defined parameters. Trades may be processed at the discretion of the portfolio manager to bring those accounts back into appropriate balance.

Using these systems, there is currently no practical limit on the number of accounts within any given model that may be reviewed by an associate. Distributions and terminations are monitored for unusual account activity.

All of the above systems are under the direct supervision of Gordon T. Wegwart, Chief Investment Officer/Chief Compliance Officer. Suitability reviews are conducted by Gordon T. Wegwart, Chief Compliance Officer; Michael Hazen, Compliance Operations Manager; William R. Hopwood, Director of Workplace Savings; or another compliance principal as may be appropriate. Monitoring and management of models is carried out by Gordon Wegwart, Chief Investment Officer, and the following Portfolio Managers: Brian R. Kurtzer, Steven J. Lewis, Brad N. Corbett, Peter G. Klas, Malcolm M. Trevillian, Sujatha Avutu, and Christopher C. Bolles. Monitoring of distributions and terminations is conducted by either Gordon T. Wegwart or William R. Hopwood.

Investment advisory representatives of the firm seek to conduct reviews with clients on a periodic basis, with a goal of communication no less than annually either in person, by phone, or by mail to monitor their personal, tax, and financial status along with any other circumstances that may warrant a change in investment objectives. As a further step, a profile mailing is sent to each client on a 3-year cycle requesting written updates to account objectives and other account related information.

**Reports:** Account statements are generated quarterly by the respective account custodians. The statements are sent directly to clients by the account custodians. These statements list the account positions, activity in the account during the prior quarter, and other related information. Additionally, clients are able to access their account activity at all times via the respective custodian's website.

### INVESTMENT ADVISORY SERVICES: INDIVIDUAL PORTFOLIO MANAGEMENT

**Reviews:** Accounts that are managed on a non-modeled basis are reviewed at the time of account opening and thereafter on a frequency appropriate to the nature of the account. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. The primary point of review is at the time of any trades, with all trading in client accounts conducted exclusively by one of the firm's portfolio managers or designated traders.

These accounts are reviewed and traded by or at the specific direction of either Gordon T. Wegwart, Chief Investment Officer, Brad N. Corbett, Senior Portfolio Manager, Malcolm Trevillian, Portfolio Manager, Sujatha Avutu, Portfolio Manager, or William R. Hopwood, Director of Workplace Savings.

**Reports:** Account statements are generated quarterly by the account custodians. The statements are sent directly to clients by the account custodians. These statements list the account positions, activity in the account during the prior quarter, and other related information. Additionally, clients are able to access their account activity at all times via the custodian's website.

### INVESTMENT ADVISORY SERVICES TO RETIREMENT PLAN SPONSORS

**Reviews:** Our firm will review each plan sponsor's Investment Policy Statement (IPS) whenever the plan

sponsor advises us of a change in circumstances. We will review the investment options of the plan according to the agreed upon time intervals established in the IPS. Such reviews will generally occur quarterly.

These accounts are reviewed by either Gordon T. Wegwart, Chief Investment Officer, Peter G. Klas, Portfolio Manager, or Albert Otto, Director of Employer Plans.

**Reports:** Our firm will provide reports to Pension Consulting Services clients based on the terms set forth in the client's Investment Policy Statement (IPS).

#### **FINANCIAL PLANNING SERVICES**

**Reviews:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted for.

**Reports:** Financial Planning clients will typically receive a completed financial plan or a retirement income planning analysis, depending upon the specific service contracted. Additional reports will not typically be provided unless otherwise contracted for.

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

#### **CLIENT REFERRALS**

Our firm may pay referral fees to independent persons or firms ("Promoters") for introducing clients to us. Whenever we pay a referral fee, we require the Promoter to provide the prospective client with a copy of this document (our *Firm Brochure*) along with a disclosure statement that includes the following information:

- the Promoter's name and relationship with our firm;
- the fact that the Promoter is being paid a referral fee;
- the amount of the fee; and
- whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Promoter.

Client fees may be increased as a result of this arrangement. Any increase will be specifically disclosed.

#### **OTHER COMPENSATION**

It is the policy of Verity Asset Management, Inc. not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.



## **Item 15 Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised, where applicable, of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send directly to the client an account statement showing all transactions within the account during the reporting period.

Because the custodian does not in all cases calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

## **Item 16 Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary investment advisory agreement with our firm, providing us with limited power of attorney, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## **Item 17 Voting Client Securities**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets. We do not offer any consulting assistance regarding proxy issues to clients.

## **Item 18 Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts, we are required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. Verity Asset Management, Inc. has no additional financial circumstances to report. Verity Asset Management, Inc. has never been the subject of a bankruptcy petition.

**Part 2B of Form ADV: *Brochure Supplement***

**Portfolio Managers**

Gordon T. Wegwart, Chief Investment Officer  
Brian R. Kurtzer, Senior Portfolio Manager  
Brad N. Corbett, Director of Fixed Income and Alternative Investing  
Malcolm M. Trevillian, Portfolio Manager  
Steven J. Lewis, Portfolio Manager  
Sujatha R. Avutu, Portfolio Manager

**Verity Asset Management, Inc.**

280 S. Mangum Street  
Suite 550  
Durham, NC 27701

Telephone: 919-490-6717  
Email: [compliance@verityinvest.com](mailto:compliance@verityinvest.com)  
Web Address: [www.verityinvest.com](http://www.verityinvest.com)

12/1/2023

This brochure supplement provides information about the individual(s) listed above that supplements the Verity Asset Management, Inc. brochure. You should have received a copy of that brochure. Please contact Verity's Chief Compliance Officer if you did not receive Verity's brochure or if you have any questions about the contents of this supplement.

Additional information about the individual(s) listed above is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 Educational, Background and Business Experience

**Name:** Gordon T. Wegwart      **Born:** 1954

**Education:** Duke University; B.A., History / Religion - Summa Cum Laude; 1976

### Business Experience

- Verity Asset Management, Inc.; President, Chief Investment Officer; from 9/1996 to Present
- Verity Investments, Inc.; President; from 6/2011 to Present
- Verity Financial Group, Inc.; President; from 8/1996 to Present
- Verity Lending Services; Vice President; from 9/1996 to 10/2008
- Primerica Financial Services; Senior Vice President; from 7/1981 to 9/1996

## Item 3 Disciplinary Information

No reportable disciplinary history

## Item 4 Other Business Activities

### A. Investment-Related Activities

Verity Investments, Inc., an affiliate of Verity Asset Management, Inc., is registered as a broker-dealer member of FINRA. Verity Financial Group, the parent company of both firms, is engaged in sales of life insurance products. Mr. Wegwart is a registered representative of the broker-dealer and also a licensed insurance agent. Therefore, in addition to providing investment advisory services on a fee basis, he may recommend and sell securities or insurance on a commission basis, or he may recommend pension consulting and/or third party administrator services on a fee basis, through our firm or its associated companies.

Clients should be aware that the receipt of such additional compensation by Verity Asset Management's associated companies may give principals of the firm such as Mr. Wegwart an incentive to recommend products based on the compensation received, rather than on the client's needs. This creates a conflict of interest that could impair the objectivity of these individuals when making recommendations. Our firm endeavors at all times to put the interest of our clients first as part of our fiduciary duty as a registered investment adviser. In addition, we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest;
- we disclose to clients that they are not obligated to purchase products or services we recommend;
- we collect, maintain and document relevant client background information in order to properly assess the suitability of various products and services;
- we conduct reviews of each client account at appropriate intervals to verify that recommendations are suitable;
- we require that our employees seek prior approval of any outside employment activity.

Please see Item 10 of our firm's Form ADV Part 2 for more details.

### B. Non Investment-Related Activities

No other business or occupation provides substantial compensation or involves a substantial amount of his time.

## Item 5 Additional Compensation

He does not receive any economic benefit from a non-advisory client for the provision of advisory services.

## Item 6 Supervision

**Supervisor:** Board of Directors, Contact - Amy L. Simonson, Vice President (919-490-6717)

Our firm places all accounts into one or more model portfolios except in limited cases where clients elect to hold assets in a non-modeled status. Model portfolios are designed and managed under the supervision of members of the Investment Committee and the Chief Investment Officer to conform to defined investment objectives. New account paperwork submitted by clients is reviewed by a compliance principal to verify suitability of the model or other investment selection(s) prior to acceptance of the account, and client requests for model portfolio changes, which must be in writing, are also reviewed for suitability. Models are monitored daily by the respective portfolio manager for consistency with their investment objectives, and non-modeled accounts are reviewed at least monthly. All trades are reviewed daily by the Chief Investment Officer using a Daily Trade Blotter. Distributions and terminations are itemized in a daily report which is monitored for unusual account activity.

## Item 2 Educational, Background and Business Experience

**Name:** Brian R. Kurtzer      **Born:** 1957

### Education

- State University of New York at Albany; BS, Business Administration; 1979
- Fordham University School of Law; JD, Law; 1996

### Business Experience

- Verity Asset Management, Inc.; Portfolio Manager; from 10/2004 to Present
- Verity Investments, Inc.; Registered Representative; from 6/2011 to Present
- Verity Financial Group; Financial Advisor; from 10/2004 to Present
- Self-Employed; Independent Equity Trader; from 8/2000 to 10/2004
- Tri-Com Commodities, Inc.; Co-Owner and Trader; from 1/1989 to 7/2000

## Item 3 Disciplinary Information

No reportable disciplinary history.

## Item 4 Other Business Activities

### A. Investment-Related Activities

Verity Investments, Inc., an affiliate of Verity Asset Management, Inc., is registered as a broker-dealer member of FINRA. Mr. Kurtzer is a registered representative of the broker-dealer. Therefore, in addition to providing investment advisory services on a fee basis, he may recommend and sell securities on a commission basis, or he may recommend pension consulting and/or third party administrator services on a fee basis, through our firm or its associated companies.

Clients should be aware that the opportunity for such additional compensation may give individuals such as Mr. Kurtzer an incentive to recommend products based on the compensation received, rather than on the client's needs. This creates a conflict of interest that could impair the objectivity of these individuals when making recommendations. Our firm endeavors at all times to put the interest of our clients first as part of our fiduciary duty as a registered investment adviser. In addition, we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest;
- we disclose to clients that they are not obligated to purchase products or services we recommend;
- we collect, maintain and document relevant client background information in order to properly assess the suitability of various products and services;
- we conduct reviews of each client account at appropriate intervals to verify that recommendations are suitable;
- we require that our employees seek prior approval of any outside employment activity.

Please see Item 10 of our firm's Form ADV Part 2 for more details.

### B. Non Investment-Related Activities

No other business or occupation provides substantial compensation or involves a substantial amount of his time.

## Item 5 Additional Compensation

He does not receive any economic benefit from a non-advisory client for the provision of advisory services.

## Item 6 Supervision

**Supervisor:** Gordon T. Wegwart, President / Chief Investment Officer (919-490-6717)

Our firm places all accounts into one or more model portfolios except in limited cases where clients elect to hold assets in a non-modeled status. Model portfolios are designed and managed under the supervision of members of the Investment Committee and the Chief Investment Officer to conform to defined investment objectives. New account paperwork submitted by clients is reviewed by a compliance principal to verify suitability of the model or other investment selection(s) prior to acceptance of the account, and client requests for model portfolio changes, which must be in writing, are also reviewed for suitability. Models are monitored daily by the respective portfolio manager for consistency with their investment objectives, and non-modeled accounts are reviewed at least monthly. All trades are reviewed daily by the Chief Investment Officer using a Daily Trade Blotter. Distributions and terminations are itemized in a daily report which is monitored for unusual account activity.

**Item 2. Educational Background and Business Experience**

Full Legal Name: **Brad N. Corbett**      Born: 1974

**Education**

- University of North Carolina-Chapel Hill – Kenan Flagler School of Business; MBA; 2002
- Gettysburg College; Gettysburg, Pa; BA; Finance & Accounting; 1997

**Business Experience**

- Verity Asset Management, Inc.; Director, Fixed Income and Alternative Investing; From 06/2014 to Present.
- Whiteley Capital Advisors, LLC; Managing Member; From 07/2012 to 06/2014.
- Franklin Street Securities, Inc.; Analyst; From 07/2002 to 02/2012.

**Item 3. Disciplinary Information**

No reportable disciplinary history.

**Item 4. Other Business Activities****A. Investment-Related Activities**

No other business or occupation provides substantial compensation or involves a substantial amount of his time.

**B. Non-Investment-Related Activities**

No other business or occupation provides substantial compensation or involves a substantial amount of his time.

**Item 5 Additional Compensation**

He does not receive any economic benefit from a non-advisory client for the provision of advisory services.

**Item 6 Supervision**

Supervisor: Gordon T. Wegwart, President / Chief Investment Officer (919-490-6717)

Our firm places all accounts into one or more model portfolios except in limited cases where clients elect to hold assets in a non-modeled status. Model portfolios are designed and managed under the supervision of members of the Investment Committee and the Chief Investment Officer to conform to defined investment objectives. New account paperwork submitted by clients is reviewed by a compliance principal to verify suitability of the model or other investment selection(s) prior to acceptance of the account, and client requests for model portfolio changes, which must be in writing, are also reviewed for suitability. Models are monitored daily by the respective portfolio manager for consistency with their investment objectives, and non-modeled accounts are reviewed at least monthly. All trades are reviewed daily by the Chief Investment Officer using a Daily Trade Blotter. Distributions and terminations are itemized in a daily report which is monitored for unusual account activity.

## Item 2 Educational, Background and Business Experience

**Name:** Steven J. Lewis      **Born:** 1960

**Education:** Hofstra University; Pre-Law

### Business Experience

- Verity Asset Management, Inc.; Portfolio Manager; from 10/2006 to Present
- Verity Investments, Inc.; Registered Representative; from 6/2011 to Present
- Verity Financial Group; Financial Advisor; from 10/2006 to Present
- Verity Lending Services; Mortgage Loan Officer; from 10/2006 to 10/2008
- AIG Financial Advisors; Financial Advisor; from 1/2006 to 8/2006
- SunTrust Investment Services, Inc.; Investment Consultant; from 1/2005 to 9/2005
- J.P. Morgan Chase; Vice President; from 4/2001 to 12/2004
- Global Navigator Fund, LP; General Partner / Portfolio Manager; from 6/1999 to 3/2001
- Dreyfus Service Corp.; Personal Advisor / Managed Portfolio Consultant; from 1/1990 to 5/1999

## Item 3 Disciplinary Information

No reportable disciplinary history.

## Item 4 Other Business Activities

### A. Investment-Related Activities

Verity Investments, Inc., an affiliate of Verity Asset Management, Inc., is registered as a broker-dealer member of FINRA. Verity Financial Group, the parent company of both firms, is engaged in sales of life insurance products. Mr. Lewis is a registered representative of the broker-dealer and also a licensed insurance agent. Therefore, in addition to providing investment advisory services on a fee basis, he may recommend and sell securities or insurance on a commission basis, or he may recommend pension consulting and/or third party administrator services on a fee basis, through our firm or its associated companies.

Clients should be aware that the opportunity for such additional compensation may give individuals such as Mr. Lewis an incentive to recommend products based on the compensation received, rather than on the client's needs. This creates a conflict of interest that could impair the objectivity of these individuals when making recommendations. Our firm endeavors at all times to put the interest of our clients first as part of our fiduciary duty as a registered investment adviser. In addition, we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest;
- we disclose to clients that they are not obligated to purchase products or services we recommend;
- we collect, maintain and document relevant client background information in order to properly assess the suitability of various products and services;
- we conduct reviews of each client account at appropriate intervals to verify that recommendations are suitable;
- we require that our employees seek prior approval of any outside employment activity.

Please see Item 10 of our firm's Form ADV Part 2 for more details.

### B. Non Investment-Related Activities

No other business or occupation provides substantial compensation or involves a substantial amount of his time.

## Item 5 Additional Compensation

He does not receive any economic benefit from a non-advisory client for the provision of advisory services.

## Item 6 Supervision

**Supervisor:** Gordon T. Wegwart, President / Chief Investment Officer (919-490-6717)

Our firm places all accounts into one or more model portfolios except in limited cases where clients elect to hold assets in a non-modeled status. Model portfolios are designed and managed under the supervision of members of the Investment Committee and the Chief Investment Officer to conform to defined investment objectives. New account paperwork submitted by clients is reviewed by a compliance principal to verify suitability of the model or other investment selection(s) prior to acceptance of the account, and client requests for model portfolio changes, which must be in writing, are also reviewed for suitability. Models are monitored daily by the respective portfolio manager for consistency with their investment objectives, and non-modeled accounts are reviewed at least monthly. All trades are reviewed daily by the Chief Investment Officer using a Daily Trade Blotter. Distributions and terminations are itemized in a daily report which is monitored for unusual account activity.

## **Item 2 Educational, Background and Business Experience**

**Name:** Malcolm M. Trevillian      **Born:** 1956

**Education:** Furman University; BA, Economics; 1978

### **Business Experience**

- Verity Asset Management, Inc.; Portfolio Manager, CFA, CMA; from 1/2009 to Present
- Chatham Advisors, LLC; President; from 7/2008 to 12/2013
- Chapel Hill Investment Advisors; President / Portfolio Manager; from 1/2004 to 6/2008
- Franklin Street Partners; Vice President / Senior Portfolio Manager; from 1994 to 2003
- First Union National Bank; Vice President / Senior Portfolio Manager; from 1986 to 1994

### **Designations**

Chartered Financial Analyst (CFA) is a globally respected, graduate level investment credential awarded by the CFA Institute. The three levels of the CFA Program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical standards, fixed income and equity analysis, economics, portfolio management, among others.

Chartered Market Technician (CMT) is a professional designation that demonstrates proficiency in technical analysis of the financial markets. Technical analysis involves forecasting prices of securities based on the study of past data such as volume and price changes. Candidates must successfully complete a three-level professional examination.

## **Item 3 Disciplinary Information**

No reportable disciplinary history.

## **Item 4 Other Business Activities**

### **B. Non Investment-Related Activities**

No other business or occupation provides substantial compensation or involves a substantial amount of his time

## **Item 5 Additional Compensation**

He does not receive any economic benefit from a non-advisory client for the provision of advisory services.

## **Item 6 Supervision**

**Supervisor:** Gordon T. Wegwart, President / Chief Investment Officer (919-490-6717)

Our firm places all accounts into one or more model portfolios except in limited cases where clients elect to hold assets in a non-modeled status. Model portfolios are designed and managed under the supervision of members of the Investment Committee and the Chief Investment Officer to conform to defined investment objectives. New account paperwork submitted by clients is reviewed by a compliance principal to verify suitability of the model or other investment selection(s) prior to acceptance of the account, and client requests for model portfolio changes, which must be in writing, are also reviewed for suitability. Models are monitored daily by the respective portfolio manager for consistency with their investment objectives, and non-modeled accounts are reviewed at least monthly. All trades are reviewed daily by the Chief Investment Officer using a Daily Trade Blotter. Distributions and terminations are itemized in a daily report which is monitored for unusual account activity.