Verity Capital Management, LLC

46 Accord Park Drive
Norwell, MA 02061

Ph: 781-878-4167
Fax: 781-982-8139

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This disclosure brochure provides clients with information about the qualifications and business practices of Verity Capital Management, LLC, an independent investment advisory firm registered with the Commonwealth of Massachusetts. It also describes the services Verity Capital Management, LLC provides as well as background information on those individuals who provide investment advisory services on behalf of Verity Capital Management, LLC. Please contact William P. Kelly at 781-878-4167 if you have any questions about the contents of this disclosure brochure.

The information in this disclosure brochure has not been approved or verified by any state securities authority. Registration with the Commonwealth of Massachusetts does not imply that Verity Capital Management, LLC or any individual providing investment advisory services on behalf of Verity Capital Management, LLC possess a certain level of skill or training.

Chapter 110A, Section 203A of the Massachusetts Uniform Securities Act requires disclosure that information on the disciplinary history and the registration of Verity Capital Management, LLC and its associated persons is available on the Internet at www.adviserinfo.sec.gov/IAPD/. You can search this site by a unique identifying number, known as a CRD number. The CRD number for Verity Capital Management, LLC is 155509. You may also call the Massachusetts Securities Division at 617-727-3548, and, if asked, Verity Capital Management, LLC and its associated persons must also disclose the history.

Item 3 – Material Changes

This item discusses specific material changes to the Verity Capital Management, LLC disclosure brochure.

Pursuant to current state regulations, Verity Capital Management, LLC will ensure that clients receive a summary of any materials changes to this and subsequent brochures within 120 days of the close of the firm's fiscal year which occurs at the end of the calendar year. Verity Capital Management, LLC may further provide other ongoing disclosure information about material changes as necessary.

There have been no material changes to this brochure since the date of its last annual update (February 1, 2013).

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Item 4 - Advisory Business

A. The Company

Verity Capital Management, LLC (formerly Veritas Investment Advisors, LLC) is a privately-held Massachusetts limited liability company that was established in October, 2010 for the purposes of providing investment advisory services to individuals (including high net worth individuals), pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other types of business entities. Throughout this disclosure brochure, Verity Capital Management, LLC is referred to as "Verity".

The principal owner of Verity is William P. Kelly.

B. Advisory Services

Verity provides the following services:

Investment Consulting and Monitoring Services

Verity has entered into a Co-Advisor Agreement with Matson Money, Inc. ("Matson Money"). Matson Money, a privately held Ohio corporation, is registered as an investment advisor with the U.S. Securities and Exchange Commission. Verity and Matson Money are not related entities; neither has an ownership interest in the other, nor does any member or shareholder of either entity own an interest in the other. Both Verity and Matson Money provide their respective services to clients other than the joint clients that are subject to the Co-Advisor Agreement.

Under the Co-Advisor Agreement, Verity provides to joint clients Investment Consulting and Monitoring Services, which include the following:

- Advice on asset allocation;
- Recommendations on an investment strategy;
- Assistance in the preparation of an investment policy statement and any restrictions;
- Evaluation of each client's historical investment performance;
- Performance monitoring; and
- Controlling and measuring investment expenses.

Client will enter into a three-party investment management agreement with Verity and Matson Money. Under the investment management agreement, Matson Money has full discretionary authority to supervise and direct joint clients' investment accounts in accordance with the investment objective for each account. Matson Money makes and implements investment decisions without prior consultation with the joint client, except for such restrictions as the client shall provide Matson Money in writing.

Matson Fund Platform

Under the Matson Fund Platform, Matson Money allocates assets to, and invests client accounts primarily in, shares of any one or a combination of series of the "Matson Money, Inc. Family of Funds of The RBB Fund, Inc." ("Matson Fund"), a no-load mutual fund affiliated with Matson Money. Each series of the Matson Fund is advised by Matson Money and sub-advised by Dimensional Fund Advisors, Inc. ("DFA"), an unaffiliated, registered investment adviser. Each series is also a "fund of funds" which invests primarily in shares of other mutual funds pursuant to exemptive relief from the Securities and Exchange Commission ("SEC").

More specifically, the series invest primarily in no-load mutual funds managed by DFA which, as sub-adviser to each series, selects the underlying DFA mutual funds based on the investment characteristics specified by Matson Money and described in the Matson Money prospectus. Each series is designed to target specified percentages of certain asset classes in each series' applicable investment category to seek maximum portfolio diversification, enhanced return opportunities and diminished portfolio volatility. Matson Money reserves the right, in its sole discretion, to create, and allocate assets in client accounts to, additional series of the Matson Fund in the future. Matson Money may also invest client assets in unaffiliated cash sweep vehicles for temporary or other defensive purposes.

The Efficient Portfolios Program

Verity also utilizes the asset allocation program of Efficient Advisors, LLC, an independent investment adviser that is registered with the U.S. Securities and Exchange Commission ("Efficient"). Efficient provides a turn-key asset allocation program that offers a platform of model portfolios called Efficient Portfolios (please see below). Verity is independent of, and is not affiliated with, Efficient.

Efficient Portfolios

Efficient Portfolios is the asset allocation program through which Efficient allocates clients' assets among exchange traded funds ("ETF") and no-load institutional mutual funds in model portfolios designed to build long-term wealth while maintaining risk tolerance and loss threshold levels based on clients' distinct needs and goals. Efficient's services include monitoring clients' accounts continuously and rebalancing and/or reallocating clients' assets on a discretionary basis in order to maintain clients' model allocation selection.

Under the Efficient Portfolios program, Verity will assist clients in (i) selecting an appropriate allocation model; (ii) determining the suitability of various investment choices; (iii) understanding Efficient's investment management agreement; and (iv) completing Efficient's investor profile.

The investor profile is designed to help Efficient determine a clients' allocation strategy. Because the information a client discloses in the investor profile is used to determine their allocation strategy, clients are responsible for immediately communicating all changes in their financial circumstances and investment objectives to Verity. Verity, in turn, is responsible for notifying Efficient of changes in clients' current financial circumstances and/or investment objectives. Prompt notification of any changes in clients' financial circumstances and investment objectives is critical to ensure that clients' assets are in proper alignment with their respective individual needs.

Verity will also act as clients' liaison with Efficient. Verity will not, however, have any investment discretion over clients' accounts. As part of Verity' ongoing relationship with its investment management clients, the firm will meet with clients on a periodic basis (but no less frequently than annually), to discuss changes in clients' personal and/or financial situation, changes in clients' suitability requirements and any new or revised investment restrictions clients have imposed, or would like to impose, on their account.

Clients may place reasonable restrictions on the individual investments in their account. These restrictions must be in writing and accompany the Efficient's investment management agreement.

Investment Management Agreement

All clients participating in the Efficient Portfolios program must enter into an investment management agreement directly with Efficient and Verity. Efficient has the right to reject any client referred by Verity. Every referred client, prior to entering into an investment management agreement with Efficient, will receive Efficient's disclosure brochure, privacy notice and a disclosure of the referral arrangement, including the compensation Verity is paid. Prospective clients should carefully review Efficient's disclosure brochures, investor profile and investment management agreement before deciding to participate in the Efficient Portfolios program.

Limitations on Investments

For some clients participating in the Efficient Portfolios program, Efficient's advice may be limited to certain types of securities. For example, when Efficient provides services to participants in a self-directed 401(k) plan, the participant may be limited to investing in securities included in the plan's investment options. In such cases, Efficient can only make recommendations to the client from among the available options and will not recommend nor invest the client's account in other securities, even if these may be a more advantageous investment option. There may also be limitations on the securities in which Efficient may invest in clients' accounts. For clients whose accounts are held in custody at certain custodians, Efficient is limited to the securities offered through such custodian.

Allocations For Small Accounts

The custodian or individual fund in which a client's assets are invested may impose minimum balance requirements that Efficient cannot waive. As a result of these limitations, Efficient may invest individual accounts with less than $50,000 into a mutual fund portfolio that will mirror the standard Efficient Portfolio as closely as possible given the availability of no-load index mutual funds that do not incur a transaction fee. These special allocations are referred to as "Small Account Allocations". Once the account's market value exceeds a certain threshold as determined by Efficient at its sole discretion, the account will be transitioned out of the Small Account Allocation and into the standard allocation for the selected Efficient Portfolio. This transition may result in transaction costs being charged by the custodian and a client may experience a taxable gain or loss if applicable to such account.

<u>Portfolio Management Services</u>

Verity provides personalized portfolio management services which consists of giving continuous advice to a client or making investments for a client based on the individual needs of the client. Through personal discussions, during which a client's goals and objectives are established, Verity and the client determine the client's risk profile and investment guidelines.

Verity will then create and manage a customized portfolio based on that risk profile. Verity will allocate the client's assets among various investments based on the client's risk tolerance. Verity' management of the client's account will be based on the client's investment objective.

Verity will create a portfolio principally comprised of mutual funds, exchange traded funds (commonly known as "ETFs"), options, and/or debt and equity securities in accordance with the investment objectives of the client. Each portfolio will be designed with the goal of meeting each client's individual needs.

Portfolio management services will be provided on a discretionary basis. For accounts managed on a discretionary basis, the client gives Verity full authority to manage the client's assets in accordance with what Verity deems to be in the client's best interest based on the client's investment guidelines. Clients will have the opportunity to place reasonable restrictions on the types of investments which will be made on the client's behalf. Clients will retain individual ownership of all securities.

C. Client Tailored Services and Client Imposed Restrictions

Verity offers a full range of investment advisory services which can be tailored to meet the specific needs of each client. In order to provide appropriately individualized services, Verity will work with the client to obtain information regarding the client's financial circumstances, investment objectives, overall financial condition, income and tax status, risk profile and other information regarding the client's financial and investment needs.

Verity will periodically review with clients their financial circumstances, investment objectives and risk profile. In order for Verity to provide effective advisory services, it is critical that clients provide accurate and complete information to Verity and inform Verity anytime such information needs to be updated or anytime there is a change in their financial circumstances, investment objectives and/or risk profile.

Generally, Portfolio Management Services clients are permitted to impose reasonable restrictions on investing in certain securities or types of securities in their advisory accounts, provided, however, that some restrictions may not be accommodated when utilizing Exchange Traded Funds, mutual funds or with respect to certain third-party products or services made available through Verity. In addition, a restriction request may not be honored if it is fundamentally inconsistent with Verity's investment philosophy, runs counter to the client's stated investment objectives, or would prevent Verity from properly servicing client accounts.

D. Wrap Fee Programs

Verity does not provide portfolio management services to a wrap fee program(s). Under a wrap fee program, advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and transaction services (*e.g.*, execution of trades) are provided for one fee. This is different than traditional investment management programs whereby services are provided for a fee, but transaction services are billed separately on a per-transaction basis.

E. Assets Under Management

As of December 31, 2013, the total amount of client assets managed by Verity is approximately $25,600,000. Of this total amount, approximately $5,300,000 of client assets are managed on a discretionary basis and approximately $20,300,000 of client assets are managed on a non-discretionary basis.

Item 5 - Fees And Compensation

Investment Consulting and Monitoring Services Fees

Matson Fund Platform

Clients of Verity pay a single annual fee for investment consulting, monitoring and management services quarterly in advance.

The annual fee for the Matson Fund Platform is charged as a percentage of assets under management and will not exceed 1.40% of the daily net assets of each series of the Matson Fund. Matson Money or its agent automatically will automatically debit the applicable advisory fee for each quarter. The amount of each quarterly advisory fee paid Verity will be shown on the client's quarterly report. That amount will be debited from the client's account within fifteen (15) days, when possible, following the beginning of each calendar quarter.

Efficient Portfolios Program

The annual advisory fee for the Efficient Portfolios Program is charged as a percentage of assets under management. For fee purposes, accounts with the same address are aggregated into households. The annual advisory fee includes both the services provided by Verity and Efficient and is charged pursuant to the following schedule:

Household Assets	Maximum Efficient Advisors Fee	Maximum Verity Fee	Maximum Total Annual Advisory Fee
First $500,000	0.50%	1.25%	1.75%
Next $500,000	0.45%	0.95%	1.40%
Next $1,000,000	0.35%	0.50%	0.85%
Next $1,000,000	0.30%	0.30%	0.60%
Over $3,000,000	0.25%	0.25%	0.50%

Of the Total Annual Advisory Fee, Efficient typically retains the amount of each tier listed above under the Efficient Advisors' Fee column and Verity receives the remainder. Efficient charges a minimum annual fee of $60.00 per client account. The advisory fee deducted from a client's account is first applied against this minimum or Efficient's annual percentage fee as listed above (whichever is higher) and the difference is shared with Verity. The minimum fee is not prorated and is not shared with Verity.

Client are required to authorize Efficient to deduct the advisory fee directly from the client's account. The annual advisory fee is payable monthly in advance. For new accounts, billing will commence upon the date the initial trades are made in the client's account. The first payment is based on the initial contributions made into the client's account and will be prorated to cover the period from the date the initial trades are made in the client's account through the end of the month. Thereafter, the annual advisory fee will be based on the market value of the assets in the client's account as valued by the client's independent custodian on the last day of the previous month.

Client may make additions to, or withdrawals from, the client's account at any time. No fee adjustments will be made for deposits into the client's account or for partial withdrawals from the client's account. A pro rata refund of advisory fees charged will be made if the client's account is closed within a billing period. There are no start-up, closing, or penalty fees in connection with the management of a client's account.

Portfolio Management Services

The annual fee for the Portfolio Management Services is charged as a percentage of assets under management and will not exceed 1.00% of the value of the portfolio. Details of the investment advisory fee charged are more fully described in the advisory agreement entered into with each client. Clients will be billed in advance at the beginning of each calendar quarter, based upon the value (market value or fair market value in the absence of market value), of the client's portfolio at the end of the previous quarter.

B. Payment Method

Each quarter, Verity will notify the client's qualified custodian of the amount of the fee due and payable to Verity pursuant to the firm's fee schedule and advisory agreement. The qualified custodian will not validate or check Verity's fees, its corresponding calculation or the assets on which the fee is based unless the client has retained their services to do so. With the client's pre-approval, the qualified custodian will "deduct" the fee from the client's account or, if the client has more than one account, from the account the client has designated to pay Verity's advisory fees.

Each month, the client will receive a statement directly from the qualified custodian showing all transactions, positions and credits/debits into or from the client's account. Statements sent after quarter end will also reflect the advisory fee paid by the client to Verity.

C. Additional Fees and Expenses

<u>Mutual Fund and Exchange Traded Fund Fees</u>

All fees paid to Verity for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or exchange traded funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. A client could invest in a mutual fund directly, without the services of Verity. In that case, the client would not receive the services provided by Verity which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. To the extent that client assets are invested in money market funds or cash positions, the fees for monitoring those assets are in addition to the fees included in the internal expenses of those funds paid to their own investment managers, which are fully disclosed in each fund's prospectus. Accordingly, the client should review both the fees charged by the funds and the fees charged by Verity to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

<u>Trading and Other Costs</u>

All fees paid to Verity for investment advisory services are separate and distinct from transaction fees charged by broker-dealers associated with the purchase and sale of mutual funds, Exchange Traded Funds, fixed-income and equity securities and options. In addition, fees do not include the services of any co-fiduciaries, accountants, broker-dealers or attorneys. Please see the section entitled “Brokerage Practices” on page 16 of this firm brochure for additional information on brokerage and other transaction costs.

Professional Fees

Fees do not include the services of any co-fiduciaries, accountants, broker dealers or attorneys. Accordingly, the fees of any additional professionals engaged by a client, will be billed directly by such professional(s).

D. Termination and Refunds

A client agreement may be canceled by either party, for any reason upon thirty (30) days prior written notice to the other party.

E. Important Additional Information

Fees Negotiable

Verity retains the right to modify fees in its sole and absolute discretion, on a client-by-client basis based on the size, complexity and nature of the advisory services provided.

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

Verity does not accept performance-based fees (e.g., fees based on a share of capital gains on or capital appreciated of the assets in a client’s account).

Item 7 - Types of Clients

Verity provides investment advisory services to individuals (including high net worth individuals), pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other types of business entities.

Engaging the Services of Verity

Investment Consulting and Monitoring Services

Clients choosing this service will enter into a three-party agreement with either Verity and Matson Money or Verity and Efficient, under which Matson Money or Efficient, as the case may be, is granted discretionary authority to invest client assets. Before opening an account, the client must complete a program questionnaire or similar account owner profiling tool (“Questionnaire”) with the assistance of Verity. In addition to the Questionnaire, the client will be asked to provide detailed information about all the client’s current holdings including, if applicable, an investment policy statement.

Portfolio Management Services

All clients wishing to engage Verity for portfolio management services must first complete the applicable advisory agreement as well as any other document or questionnaire provided by Verity. The investment advisory agreement describes the services and responsibilities of Verity to the client. It also outlines Verity’ fee in detail. In addition, clients must complete certain broker-dealer/custodial documentation. Upon completion of all these documents, Verity will be considered engaged by the client. Clients are responsible for ensuring that Verity is informed in a timely manner of changes in their investment objectives and risk tolerance.

Conditions for Managing Accounts

Verity does not impose required minimum asset levels or minimum annual fees on client accounts.

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

A. Methods of Analysis and Investment Strategies

Security Analysis

Verity's approach to asset allocation is influenced by the work of Nobel Prize laureates William Sharpe and Harry Markowitz, who shaped the role of financial science in investing through their development of Modern Portfolio Theory. The principal goal of Modern Portfolio Theory is to achieve the greatest return for amount of risk taken (or, conversely, to minimize the risk in a portfolio targeted to achieve a specific return). Doing so requires combining asset classes in the portfolio using structured asset class funds to achieve effective diversification. This is accomplished by measuring the correlation between specific asset classes that demonstrate a historically high rate of return and combining the asset classes in such a way that portfolio volatility is minimized. Global diversification of the portfolio may protect investors from a downturn in any single asset class, domestic or foreign.

Verity employs a "buy and hold" approach to asset management. The practice of this style of asset management is based on the belief that market timing is not proven as successful. The focus for the investor should be how much the investor can risk losing and how long they are willing to stay invested in the market.

Verity adheres to the following principles:

- Markets are efficient and for investing purposes assets are fairly priced.
- Diversification reduces the risk of uncertainty and asset allocation in numerous asset classes determines results in the portfolio.

Investment Strategies

Verity will primarily utilize long-term purchases as its investment strategy. With a long-term strategy, securities are purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year. Verity, may on occasion and when appropriate to the needs and risk profile of the client, use option writing as an investment strategy.

Types of Investments

Investment advice may be offered on any investments held by a client at the start of the advisory relationship. Recommendations for new investments will typically be limited to domestic and foreign equity securities, warrants, corporate debt securities, municipal and United States government securities, exchange traded funds (ETFs), mutual funds, options and variable annuities.

Sources of Information

In conducting security analysis, Verity may utilize the following sources of information: financial newspapers and magazines, research materials prepared by others and company press releases.

Investing Involves Risk

Investing in securities involves risk of loss that each client should be prepared to bear. The value of a client's investment may be affected by one or more of the following risks, any of which could cause a client's portfolio return, the price of the portfolio's shares or the portfolio's yield to fluctuate:

- *Market Risk*. The value of portfolio assets will fluctuate as the stock or bond market fluctuates. The value of investments may decline, sometimes rapidly and unpredictably, simply because of economic changes or other events that affect large portions of the market.
- *Management Risk*. A client's portfolio is subject to management risk because it is actively managed by Verity's investment professionals. Verity will apply its investment techniques and risk analysis in making investment decisions for a client's portfolio, but there is no guarantee that these techniques and Verity's judgment will produce the intended results.
- *Interest Rate Risk*. Changes in interest rates will affect the value of a portfolio's investments in fixed-income securities. When interest rates rise, the value of investments in fixed-income securities tend to fall and this decrease in value may not be offset by higher income from new investments. Interest rate risk is generally greater for fixed-income securities with longer maturities or durations.
- *Credit Risk*. An issuer or guarantor of a fixed-income security, or the counterparty to a derivatives or other contract, may be unable or unwilling to make timely payments of interest or principal, or to otherwise honor its obligations. The issuer or guarantor may default causing a loss of the full principal amount of a security. The degree of risk for a particular security may be reflected in its credit rating. There is the possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect the value of the security. Investments in fixed-income securities with lower ratings tend to have a higher probability that an issuer will default or fail to meet its payment obligations.
- *Allocation Risk*. The allocation of investments among different asset classes may have a significant effect on portfolio value when one of these asset classes is performing more poorly than the others. As investments will be periodically reallocated, there will be transaction costs which may be, over time, significant. In addition, there is a risk that certain asset allocation decisions may not achieve the desired results and, as a result, a client's portfolio may incur significant losses.
- *Foreign (Non-U.S.) Risk*. A portfolio's investments in securities of non-U.S. issuers may involve more risk than those of U.S. issuers. There securities may fluctuate more widely in price and may be less liquid due to adverse market, economic, political, regulatory or other factors.
- *Emerging Markets Risk*. Securities of companies in emerging markets may be more volatile than those of companies in developed markets. By definition, markets, economies and government institutions are generally less developed in emerging

market countries. Investment in securities of companies in emerging markets may entail special risks relating to the potential for social instability and the risks of expropriation, nationalization or confiscation. Investors may also face the imposition of restrictions on foreign investment or the repatriation of capital and a lack of hedging instruments.

- *Currency Risk.* Fluctuations in currency exchange rates may negatively affect the value of a portfolio's investments or reduce its returns.
- *Derivatives Risk.* Certain strategies involve the use of derivatives to create market exposure. Derivatives may be illiquid, difficult to price and leveraged so that small changes may produce disproportionate losses for a client's portfolio and may be subject to counterparty risk to a greater degree than more traditional investments. Because of their complex nature, some derivatives may not perform as intended. As a result, a portfolio may not realize the anticipated benefits from a derivative it holds or it may realize losses. Derivative transactions may create investment leverage, which may increase a portfolio's volatility and may require the portfolio to liquidate portfolio securities when it may not be advantageous to do so.
- *Capitalization Risk.* Investments in small- and mid-capitalization companies may be more volatile than investments in large-capitalization companies. Investments in small-capitalization companies may have additional risks because these companies have limited product lines, markets or financial resources.
- *Liquidity Risk.* Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing Verity from selling out of such illiquid securities at an advantageous price. Derivatives and securities involving substantial market and credit risk also tend to involve greater liquidity risk.
- *Issuer Specific Risk.* The value of an equity security or debt obligation may decline in response to developments affecting the specific issuer of the security or obligation, even if the overall industry or economy is unaffected. These developments may comprise a variety of factors, including, but not limited to, management issues or other corporate disruption, political factors adversely affecting governmental issuers, a decline in revenues or profitability, an increase in costs, or an adverse effect on the issuer's competitive position.
- *Concentrated Portfolios Risk*. Certain investment strategies focus on particular asset classes, countries, regions, industries, sectors or types of investments. Concentrated portfolios are an aggressive and highly volatile approach to trading and investing. Concentrated portfolios hold fewer different stocks than a diversified portfolio and are much more likely to experience sudden dramatic prices swings. In addition, the rise or drop in price of any given holding is likely to have a larger impact on portfolio performance than a more broadly diversified portfolio.
- *Legal or Legislative Risk.* Legislative changes or court rulings may impact the value of investments or the securities' claim on the issuer's assets and finances.

B. Risks Associated with Investment Strategies

<u>Long-Term Purchases</u>

Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or your particular investments will decrease in value even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost (e.g., "locking-up" assets that may be better utilized in the short-term in other investments).

Option Writing

There are numerous risks associated with transactions in options on securities or securities indexes and therefore, are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss of principal. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. For example, as the writer of covered call options, the client forgoes, during the option's life, the opportunity to profit from increases in the market value of the underlying security or the index above the sum of the option premium received and the exercise price of the call, but has retained the risk of loss, minus the option premium received, should the price of the underlying security decline. In the case of index options, the client incurs basis risk between the performance of the underlying portfolio and the performance of the underlying index (e.g., the underlying portfolio may decline in value while the underlying index may increase in value, resulting in a loss on the call option while the underlying portfolio declines as well).

C. Risks Associated with Specific Securities Utilized

Common Stocks

The major risks associated with investing in common stocks relate to the issuer's capitalization, quality of the issuer's management, quality and cost of the issuer's services, the issuer's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk and the issuer's ability to create shareholder value (*e.g.*, increase the value of the company's stock price).

Preferred Stocks

Preferred stock dividends are generally fixed in advance. Unlike requirements to pay interest on certain types of debt securities, the company that issues preferred stock may not be required to pay a dividend and may stop paying the dividend at any time. Preferred stock may also be subject to mandatory redemption provisions and an issuer may repurchase these securities at prices that are below the price at which they were purchased by the investor. Under these circumstances, a client account holding such preferred securities could lose money.

Fixed-Income Securities

Different forms of fixed-income instruments, such as bonds, money market funds, and certificates of deposit may be affected by various forms of risk, including:

- *Interest Rate Risk*. The risk that the value of the fixed-income holding will decrease because of an increase in interest rates.
- *Liquidity Risk*. The inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. While certain types of fixed-income securities are generally liquid (*e.g.*, corporate bonds), there are risks which may occur such as when an issue trading in any given period does not readily support buys and sells at an efficient price. Conversely, when trading volume

is high, there is also the risk of not being able to purchase a particular issue at the desired price.

- *Credit Risk*. The potential risk that an issuer would be unable to pay scheduled interest or repay principal at maturity, sometimes referred to as "default risk." Credit risk may also occur when an issuer's ability to make payments of principal and interest when due is interrupted. This may result in a negative impact on all forms of debt instruments.
- *Reinvestment Risk*. With declining interest rates, investors may have to reinvest income or principal at a lower rate.
- *Duration Risk*. Duration is a measure of a bond's volatility, expressed in years to be repaid by its internal cash flow (interest payments). Bonds with longer durations carry more risk and have higher price volatility than bonds with shorter durations.

Municipal Bonds

In addition to the risks set forth under "Fixed-Income Securities" above, municipal bonds are susceptible to events in the municipality that issued the bond or the security posted for the bond. These events may include economic or political policy changes, changes in law, tax base erosion, state constitutional limits on tax increases, budget deficits or other financial difficulties and changes in the credit rating assigned to municipal issues.

Exchange Traded Funds

ETFs are subject to risks similar to those of stocks. Investment returns will fluctuate and are subject to market volatility, so that when shares are sold they may be worth more or less than their original cost. ETF shares are bought and sold at market price (not Net Asset Value) and are not individually redeemed from the fund. There is also the risk that a manager may deviate from the stated investment mandate or strategy of the ETF which could make the holdings less suitable for a client's portfolio. ETFs may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees. In addition, while many ETFs are known for their potential tax efficiency and higher "qualified dividend income" (QDI) percentages, there are assets classes within these ETFs or holding periods that may not benefit. Shorter holding periods, as well as commodities and currencies that may be part of an ETF's portfolio, may be considered "non-qualified" under certain tax code provisions.

Equity Funds

The major risks associated with investing in equity mutual funds is similar to the risks associated with investing directly in equity securities, including market risk, which is the risk that investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. Other risks include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification and the type and amount of sector diversification within specific industries. In addition, there is the risk that a manager may deviate from the stated investment mandate or strategy of the mutual fund which could make the holdings less suitable for a client's portfolio. Also, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold their shares in the fund. Mutual funds may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees.

<u>Fixed-Income Funds</u>

In addition to the risks associated with investing in equity mutual funds, fixed-income mutual funds also the same risks as set forth under "Fixed-Income Securities" listed above.

<u>Indexed Funds</u>

Indexed Funds have the potential to be affected by "tracking error risk" which means a deviation from a stated benchmark index. Since the core of a portfolio may attempt to closely replicate a benchmark, the source of the tracking error (deviation) may come from a "sample index" that may not closely align the benchmark. In addition, while many index mutual funds are known for their potential tax efficiency and higher "qualified dividend income" (QDI) percentages, there are assets classes within these funds or holding periods that may not benefit. Shorter holding periods, as well as commodities and currencies that may be part of a fund's portfolio, may be considered "non-qualified" under certain tax code provisions.

<u>Options</u>

There are numerous risks associated with transactions in options on securities or securities indexes. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. In the case of index options, the client incurs basis risk between the performance of the underlying portfolio and the performance of the underlying index. For example, the underlying portfolio may decline in value while the underlying index may increase in value, resulting in a loss on the call option while the underlying portfolio declines as well.

D. Cash Management

Money Market Funds or short-term instruments will comprise approximately five (5) percent of a client's portfolio assets for portfolio liquidity and diversification.

Item 9 - Disciplinary History

Neither Verity nor any of its supervised persons have ever been disciplined by a regulatory agency.

Item 10 - Other Financial Industry Activities and Affiliations

Neither Verity nor any of its supervised persons engage in any other financial industry activities or have any other financial industry affiliations.

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

Code of Ethics

Verity has adopted a Code of Ethics to prevent violations of federal securities laws. The Code of Ethics is predicated on the principle that Verity and its employees owe a fiduciary duty to its clients. Accordingly, Verity expects all employees to act with honesty, integrity and professionalism and to adhere to federal securities laws. Verity and its employees are required to adhere to the Code of Ethics. At all times, Verity and its employees must (i) place client interests ahead of Verity's; (ii) engage in personal investing that is in full compliance with Verity's Code of Ethics; and (iii) avoid taking advantage of their position. Clients and prospective clients may request a copy of Verity's Code of Ethics by contacting William Kelly, Manager of Verity, at 781-878-4167.

Individuals associated with Verity may buy, sell, or hold in their personal accounts the same securities that they recommend to clients.

In accordance with Verity's internal compliance procedures, such trades will occur simultaneously with or after trades placed on behalf of clients. To minimize conflicts of interest, and to maintain the fiduciary responsibility Verity has for its clients, Verity has established the following policy: An officer, director, or employee of Verity shall not buy or sell securities for a personal portfolio when the decision to purchase is derived by reason of their employment with Verity, unless the information is also available to the investing public as a whole. No person associated with Verity shall prefer his or her own interest to that of any client. Personal trades in securities being purchased or sold for clients may only be made simultaneously with or after trades are made for clients. Verity personnel may not anticipate trades to be placed for clients.

Item 12 - Brokerage Practices

A. Broker Selection

Best Execution

Best execution has been defined by the SEC as the "execution of securities transactions for clients in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances." The best execution responsibility applies to the circumstances of each particular transaction and an investment adviser must consider the full range and quality of a broker-dealer's services, including, among other things, execution capability, commission rates, the value of any research, financial responsibility and responsiveness.

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 broker-dealer's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while Verity will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

Broker Analysis

Verity evaluates a wide range of criteria in seeking the most favorable price and market for the execution of transactions. These include the broker-dealer's trading costs, efficiency of execution and error resolution, financial strength and stability, capability, positioning and distribution capabilities, information in regard to the availability of securities, trading patterns, statistical or factual information, opinion pertaining to trading and prior performance in serving Verity.

Verity' President and Chief Compliance Officer is responsible for continuously monitoring and evaluation the performance and execution capabilities of brokers that transact orders for our client accounts to ensure consistent quality executions. In addition, Verity periodically reviews its transaction costs in light of current market circumstances and other relevant information.

Research/Soft Dollar Benefits

Verity does not have any soft-dollar arrangements.

Directed Brokerage

Certain clients may direct Verity to use particular brokers for executing transactions in their accounts. With regard to client directed brokerage, Verity is required to disclose that Verity may be unable to negotiate commissions, block or batch orders or otherwise achieve the benefits described above, including best execution. Directed brokerage commission rates may be higher than the rates Verity might pay for transactions in non-directed accounts. Therefore, directing brokerage may cost clients more money. Verity reserves the right to decline acceptance of any client account that directs the use of a broker dealer if Verity believes that the broker dealer would adversely affect Verity's fiduciary duty to the client and/or ability to effectively service the client portfolio.

As a general rule, Verity encourages each client to compare the possible costs or disadvantages of directed brokerage against the value of custodial or other services provided by the broker to the client in exchange for the directed brokerage designation.

B. Trade Aggregation/Allocation

It is the objective of Verity to provide a means of allocating trading and investment opportunities between advisory clients on a fair and equitable basis and in compliance with all applicable state and federal guidelines. With respect to clients' accounts with substantially similar investment objectives and policies, Verity may often seek to purchase or sell a particular security in each account. Verity will aggregate orders only when such aggregation is consistent with Verity's duty to seek best execution and is consistent with the investment objective of each client. No client account will be unfairly favored over any other account. Each client that participates in an aggregated order will participate based on the average execution price in that particular security. All transaction costs will be allocated pro rata based on each client's participation in the transaction. All securities purchased or sold, whether the order is filled completely or partially, will then be allocated pro rata based on the assets of each account.

C. Trade Errors

Verity attempts to execute all transactions in a timely and accurate manner; however, errors do occur. When errors occur, Verity corrects the error and credits the client's account in an amount equal to the value of the error. The value of the error is determined by comparing the actual trade execution price to the price that would have applied if the trade had been executed correctly.

Item 13 - Review Of Accounts

Investment Counseling and Monitoring Services

Clients should consult the agreement entered into with Matson Money and/or Efficient for information on reports provided and account reviews.

Portfolio Management Services

Reviews

Verity reviews client accounts on a periodic. Significant changes in market values or client investment objectives can trigger special reviews resulting in buy or sell decisions.

The person reviewing the accounts is William Kelly, Manager of Verity.

Reports

Clients receive daily trade confirmations, at least quarterly statements and required tax reports directly from the custodian.

Item 14 - Client Referrals And Other Compensation

Verity does not receive any economic benefits (*e.g*., sales incentives, prizes) from non-clients for providing investment advice. Verity does not compensate any person for client referrals.

Item 15 - Custody

Custody of client assets will be maintained with the independent custodian selected by the client. Verity will not have physical custody of any assets in the client's account except as permitted for payment of advisory fees. Clients will be solely responsible for paying all fees or charges of the custodian. Clients will authorize Verity to give the custodian instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent or other investment for the client's account.

Clients will receive directly from the custodian at least quarterly a statement showing all transactions occurring in the client's account during the period covered by the account statement, and the funds, securities and other property in the client's account at the end of the period. *Clients are urged to carefully review the account statement sent by the broker-dealer/custodian and to compare the account statement provided by the broker-dealer/custodian with any statements provided by Verity.*

Item 16 - Investment Discretion

For those client accounts over which Verity has discretion, Verity requests that it be provided with written authority (e.g., limited power of attorney contained in Verity's Portfolio Management Agreement) to determine the amounts of securities that are bought or sold. Any limitations on this discretionary authority shall be included in this written authority statement. Clients may change or amend these limitations as required. All such amendments shall be submitted in writing.

Verity generally has discretionary authority to make the following determinations without obtaining the consent of the client before the transactions are effected: (1) which securities are bought and sold for the account and (2) the total amount of securities to be bought and sold. Verity' authority in making investment related decisions may be limited by account guidelines, investment objectives and trading restrictions, as agreed between Verity and the client.

Item 17 - Voting Client Securities

Proxy Voting

Verity does not vote proxies on behalf of its clients. Therefore, although Verity may provide investment advisory services relative to client investment assets, it is the client that maintains 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 proceeding or other type events pertaining to the client's investment assets. Verity and/or the client shall correspondingly instruct each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets. Clients can contact William P. Kelly, Manager of Verity, at 781-878-4167 if they have questions regarding a particular solicitation.

Class Action Settlements

Although Verity may have discretion over client accounts, it will not be responsible for handling client claims in class action lawsuits or similar settlements involving securities owned by the client. Clients will receive the paperwork for such claims directly from their account custodians. Each client should verify with their custodian or other account administrator whether such claims are being made on the client's behalf by the custodian or if the client is expected to file such claims directly.

Item 18 - Financial Information

Prepayment of Fees

Because Verity does not require or accept prepayment of more than $500 in fees six months or more in advance, Verity is not required include a balance sheet with this disclosure brochure.

Financial Condition

Verity does not have any adverse financial conditions to disclose.

Bankruptcy

Verity has never been the subject of a bankruptcy petition.

Item 19 – Requirements for State-Registered Advisers

Education Background and Business Experience

Verity is composed of experienced investment professionals possessing a broad range of knowledge within the securities industry. Advisory persons associated with Verity must possess, minimally, a degree from an accredited college and a minimum of ten years relevant professional experience.

William P. Kelly, CPA (Born: 1955)

Post-Secondary Education

Bentley College Masters in Personal Financial Planning (1999)
Bentley College, MS in Taxation, (1984)
Providence College, B.S. in Accounting (1977)

Recent Business Background

Verity Capital Management, LLC (formerly Veritas Investment Advisors, LLC) Manager, 10/2010 - Present
Strategic Financial Services, Sole Proprietor, 07/2004 – 12/2010
Cambridge Investment Research, Inc., Registered Representative, 08/2004 – 12/2010
Cambridge Investment Research Advisors, Inc., Investment Adviser Representative, 03/2005 – 12/2010

Disciplinary Information

Mr. Kelly has no legal or disciplinary events to report.

Other Business Activities

Mr. Kelly is not engaged in any other business or occupation for compensation that provides a substantial source of his income or involves a substantial amount of his time.

Performance-Based Compensation

Neither Verity, nor any individual associated with Verity, receives performance-based compensation.

Supervision

As a one-person investment advisory firm, Mr. Kelly is responsible for his own supervision. The guiding document for supervision purposes is the Verity Code of Ethics.

Item 20 - Additional Information

Privacy Notice

Verity views protecting its clients' private information as a top priority and has instituted policies and procedures to ensure that client information is private and secure. Verity does not disclose any nonpublic personal information about its clients or former clients to any nonaffiliated third parties, except as permitted or required by law. In the course of servicing a client's account, Verity may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers, etc. Verity restricts internal access to nonpublic personal information about the client to those persons who need access to that information in order to provide services to the client and to perform administrative functions for Verity. As emphasized above, it has always been and will always be Verity' policy never to sell information about current or former clients or their accounts to anyone. It is also Verity' policy not to share information unless required to process a transaction, at the request of a client, or as required by law. For the full text of Verity's Privacy Policy, please contact William P. Kelly, Manager of Verity, at 781-878-4167.

Client Complaints

Clients may contact William P. Kelly, Manager of Verity, at 781-878-4167 to submit a complaint. Written complaints should be sent to Verity Capital Management, LLC, 46 Accord Drive Park, Norwell, MA 02061.