VERITY INVESTMENTS, INC.

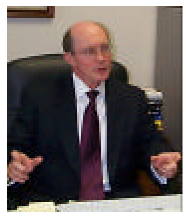
MEMBER, NASD, SIPC

CORE ALLOCATION

September 30, 2006

This allocation is our flagship model. Effective investing is a process of considering risk and potential reward and seeking to overweight the odds of success while limiting the downside. While there are no guarantees, we seek opportunities that logically offer significant upside potential relative to their downside risk.

MARKET COMMENTARY AND OUTLOOK:



GORDON T. WEGWART
Chief Investment Officer

The third quarter saw several markets in transition. Some of the movements by their very nature appear to be short term reversals within the context of still intact long term trends. Other markets appear to have transitioned more significantly, leaving their future direction somewhat in doubt. We have adjusted to these changes by reviewing major themes and positioning ourselves for the scenarios we consider most likely over the next several quarters and beyond.

Our most successful strategy during the quarter was in the debt arena. As anticipated, our emerging markets debt positions rebounded strongly, and while our short positions fell moderately as interest rates declined, we remain well-positioned for the real possibility that rates may rebound and that tightening credit, among other factors, may ultimately damage the junk bond market.

The stock market declined sharply in early July, flirting with a truly damaging slide, before reversing into a promising rally. With growth stocks, particularly in technology, leading the recent surge and increasing potential for the rally to extend through the fall or beyond, we modified our value dominated equity portfolio late in the quarter for greater balance and began to strategically expand our equity exposure. But troubling questions are unresolved and serious risks remain. Our short positions continue to provide important downside protection, as demonstrated during the Dow's near 1000 point mid-year slide, though we trimmed them back as the rally developed.

A couple of our major themes of the past two years, energy and precious metals, corrected sharply in September. Despite this, well-targeted buys and sells in several securities helped limit commodities related declines. Primary energy holdings in most accounts are generating yields of 9-15% and look significantly undervalued following the correction. Gold related positions will undoubtedly remain volatile, but with an attractive risk/reward outlook at current levels, the upside potential remains substantial.

Even as we make adjustments in search of performance gains, we remind ourselves that in a market that is short on compelling values, patience is a crucial component in conserving capital and producing more consistent long term gains. With our money market position yielding roughly five percent, we remain alert for attractive entry points that we believe will lay ahead.

For More Information:

All investing involves market risk and possible loss of principal, and past performance doesn't guarantee future results. Additionally, asset allocation doesn't assure a profit or guarantee against a loss in a declining market.

TARGET ALLOCATION BY ASSET CLASS

22.5%	Equities - Domestic & Foreign
19.0%	Gold, Energy & Commodity Related
10.0%	Foreign Currency
7.0%	Equities - Short (Leveraged 200%)
7.5%	Bonds - Global & Domestic
7.5%	Bonds - Short
26.5%	Cash

ABOUT OUR METHODOLOGY:

Effective investing is a process of considering risk and potential reward and seeking to overweight the odds of success while limiting the downside. Our portfolios thus reflect diversification across only those asset classes we currently believe to hold superior risk/reward profiiles.

Although the time horizon of our core positions is not short term, we constantly monitor the marketplace in order to discern and adjust to changes in market dynamics and risk/reward outlook. As a result, even in areas we deem to be major long term themes, the size of allocations may fluctuate to reflect a changed shorter term outlook.

We will also seek certain shorter term opportunistic investments, but will do so only when consistent with our investment discipline.

Capital preservation is of utmost importance. This may lead us to reduce the size of investments in more volatile asset classes in response to short term concerns, but we will not eliminate them completely if our long term investment thesis remains intact. There have been several instances of this type of adjustment during 2006.

We believe our methodology and investment discipline will serve our clients exceptionally well in all types of markets and over the long term, while providing us with the needed flexibility in an environment that may become increasingly volatile.