



CORE MODEL: PERFORMANCE ADDENDUM

COMPARATIVE RESULTS DURING THE RECENT MARKET DECLINE

For proper context, this addendum must be accompanied by the individual performance flyer for each model portfolio being considered.

In bear markets, broad domestic equity indices such as the Dow Jones Industrial Average and the S&P 500 typically suffer price declines of 28% - 30%. In severe instances, the declines can be a great deal more.

The Verity Core Model is managed with a broad absolute return objective, seeking strong progressive growth over time with an approach that endeavors to limit volatility and to avoid significant declines in value. Given this objective, it may be useful to examine the effectiveness of the strategy during the very significant decline in the equity markets since October 2007.

The S & P 500 reached an all time closing high on October 9, 2007. From that point, through June 30, 2008, the price had dropped 18.22%, and the value, on a total return basis, after adjusting for dividends, had dropped 16.31%. Other broad domestic equity indices performed similarly.

During this same period, the Verity Core Model composite total return was slightly below break-even at -1.03%.

In addition to its Core Model, Verity manages several categories of model portfolios with widely varying styles, objectives, and risk characteristics. Performance for representative accounts in each category over the period, along with total returns for several of the major domestic and foreign equity indices, is illustrated below.

Total Return: <i>October 9, 2007 through June 30, 2008</i>			
S&P 500:	-16.31%	Core	-1.03%
DJIA	-17.70%	Moderate	1.78%
NASDAQ	-17.28%	Aggressive	-1.26%
MSCI EAFE	-15.21%	Sector 2	11.93%

Since composite performance figures for the firm's model portfolios are only available for full month periods, the model performance examples above are based upon data from a representative individual account for each that was fully invested in the respective model throughout the period. The accounts selected were at the median performance level relative to all accounts in the model over the full period from October 1, 2007 through June 30, 2008. Other accounts in each model, even when fully invested, may experience small differences in performance due to fractional variations in allocation percentages deriving from differences in the timing of original entry into the model and similar factors unique to each account. However, accounts fully invested in each model throughout the same period will not typically experience differences of such a significance as to undermine the principles illustrated using the representative accounts selected.

Each model illustrated has its own unique objectives, employs different management strategies, and will experience significant differences in portfolio volatility. The individual performance flyers, including detailed descriptions, should be reviewed by any prospective investor. Aggressive and Sector models, in particular, will assume considerably greater risk and should be used only by investors who are prepared to experience greater volatility than the Core and Moderate models.

* Continued on Reverse

There can be no guarantee that the models will be similarly effective in protecting against major market declines in the future. Additionally, since the models are not designed to correlate to any equity index, they may perform either well or poorly relative to an index when the index is moving up in value. In general, even in those models where broad diversification is employed with the intent to realize opportunity while limiting volatility, there can be no assurance that securities of various types and combinations will not result in greater volatility and risk of loss should the assessment of market conditions and choice of risk management strategies prove incorrect.

Performance in declining markets is only one facet of overall performance, and different time periods will yield different results. An investor should evaluate the overall characteristics of a model in relationship to his or her personal investment objective.

Several of the models illustrated have closely aligned variations designed specifically for use with 403(b) retirement plan accounts. The models illustrated above, along with the variations of these models, collectively comprise 83.72 % of the \$126,451,851 in assets on the firm's investment advisory platform as of June 30, 2008, with the remaining assets falling into a variety of miscellaneous managed and non-managed categories. Specific descriptions and performance details may be made available for any of the firm's managed models upon request.

The models may be invested at various times among domestic and foreign equity and debt securities, emerging markets equity and debt, commodities, real estate, foreign currency, and short equity and debt positions. Securities may be selected from open and closed-end mutual funds, exchange-traded funds, and individual securities. The investment adviser does not use leverage or derivatives, although it may strategically invest in funds that use leverage and/or derivatives of certain types.

Given the often broadly diversified and dynamic allocation strategies employed, models are neither designed to correlate to the performance of any benchmark index, nor can a benchmark accurately reflect the potentially changing mix of asset classes over any specific period. Thus, certain industry standard indices are provided simply as points of reference to which many investors look in assessing growth oriented investment portfolios.

Performance figures are stated in U.S. dollars using a time-weighted total rate of return. Returns for any particular account may vary due to differences in point of entry and other related factors. Model returns are net of all expenses, including management fees, custody fees, and trading commissions, where applicable, and reflect reinvestment of dividends and other earnings. The full management fee schedule is accessible in Form ADV, Part II, Schedule F, which should be reviewed before establishing an investment advisory account with the firm.

The equity indices used for illustration purposes are unmanaged capitalization-weighted stock indices designed to represent broad segments of the market. Performance figures for these indices are inclusive of all dividends, except for the EAFE, for which dividend data was not available.



The objective of the Core Model is growth of capital, over the course of full market cycles, at a rate both superior to and less capricious than the broad equity markets. The portfolio is managed based upon an absolute return philosophy, which in this context means progressive growth in assets from year to year with limited portfolio volatility.

Using a tactical asset allocation methodology, this model portfolio is generally weighted more heavily in asset classes that appear undervalued relative to historical norms and/or supply and demand conditions. Multiple strategies may also be used for risk management purposes. Technical analysis guides entry and exit points for certain of the chosen positions, particularly in securities where greater volatility and/or more limited trading volume makes such tools important both for opportunistic and risk management functions.

The model may be allocated at various times among domestic and foreign equity and debt securities, emerging markets equity and debt, commodities, real estate, foreign currency, and short equity and debt positions. Securities may be selected from open and closed-end mutual funds, exchange-traded funds, and individual equities. The investment adviser does not use leverage or derivatives, although it may strategically invest in funds that use leverage and derivatives of certain types.

Although broad diversification is employed with the intent to realize opportunity while limiting volatility, there can be no assurance that securities of various types and combinations will not result in greater volatility and risk of loss should the assessment of market conditions and choice of risk management strategies prove incorrect. However, based on past experience and research, this approach to diversification is reasonably expected to provide reduction in volatility relative to an investment in the unmanaged S&P 500.

Given the broadly diversified and dynamic tactical asset allocation strategy, the Core model is neither designed to correlate to the performance of any benchmark index, nor can a benchmark accurately reflect its changing mix of asset classes. However, to offer a frame of reference, we provide a Morningstar average of mutual funds with an Asset Allocation Objective. While the specific strategies of these funds vary, they are generically similar in concept to the diversified approach of the Core model. Additionally, we provide the S&P 500, an unmanaged capitalization-weighted index of domestic stocks, simply as a point of reference to which many investors look in assessing investment results.

	Model Return	Morningstar Asset Allocation Objective	S&P 500 Total Return Index	Data as of June 30, 2008:
Year to Date 1/1/2008 to 6/30/2008	(1.14%)	(6.37%)	(11.91%)	Firm Advisory Assets: \$ 126,451,851
2007	7.01%	5.78%	5.49%	Accounts in Model: 1159
2006	10.24%	10.76%	15.79%	Assets in Model: \$ 57,141,429
2/1/2005* to 12/31/2005	9.99%	4.26%	7.53%	% of Firm's Assets in Model: 45.19%
Cumulative 2/1/05* to 6/30/2008	28.27%	14.37%	15.70%	

*Represents first full calendar month. Morningstar data unavailable for exact January 27, 2005 inception date. Composite performance prior to 2007 is comprised of all accounts invested in the model as of the period end. Composite performance for 2007 forward is comprised of all accounts in the model throughout the period.

Over the periods covered, both domestic and foreign equity markets were generally rising in an environment of relatively limited volatility until third quarter 2007, when volatility increased dramatically and markets ultimately began a strong down trend. Ten year Treasury rates trended sharply lower from July 2007 through mid-March 2008, then reversed. The dollar was generally declining. Broad commodities indices were characteristically volatile but trending higher, with gold, grains, and crude oil moving sharply higher during 2007 and into 2008.

A variation of this model exists for 403(b) retirement plan accounts. This variation uses the same themes and many, but not all, of the same securities. For this reason, composite performance may be higher or lower. To receive a description of this variation of the Core Model, contact Verity Investments, Inc.

Performance figures above are stated in U.S. dollars using a time-weighted total rate of return. Returns in any particular account will vary due to differences in points of entry and other related factors. Returns are net of all expenses, including management fees, custody fees, and trading commissions, where applicable, and reflect reinvestment of dividends and other earnings. Values expressed for the S&P 500 are total returns including dividends. The management fee schedule is as follows: \$0 - \$50,000 at 1.50% plus \$50,001 - \$100,000 at 1.25% plus \$100,001 - \$250,000 at 1.00% plus \$250,001 - \$500,000 at 0.85% plus \$500,001 - \$750,000 at 0.65% plus \$750,001 - \$1,000,000 at 0.50% plus \$1,000,001 - \$2,500,000 at 0.45% plus \$2,500,001 and up at 0.40%.