

Compliance Manual

September 2020

1. Affiliated Business and Outside Activities
2. Designation of Officers and Principals
3. Authorized Products
4. Authorized States
5. Solicitation Procedures
6. Taking an Application
7. Subsequent Client Sales
8. Customer Complaints
9. Retail Communication / Advertising Policy
10. Speaking Engagements/Public

Appearances

11. Correspondence
12. Sales Literature
13. Telephone Communication With the Public
14. Privacy Policy
15. Personal Securities Accounts
16. Continuing Education
17. Insider Trading
18. Non-Cash Compensation
19. Gifts, Gratuities & Business Entertainment
20. Social Media
21. Checklist of Prohibited Practices

1. Affiliated Business and Outside Activities

Statement of Affiliated Businesses

Verity Investments, Inc. is a broker/dealer and member of the Financial Industry Regulatory Authority. The firm is incorporated, and is a wholly-owned subsidiary of its parent company, Verity Financial Group, Inc. The parent company engages in the sale of various insurance products and offers online banking services.

Verity Asset Management, Inc., a sister company with the same parent, is an SEC-registered investment advisor which provides investment advisory services to individual investors, retirement plan sponsors, institutional investors, and other investment advisors. The firms share office space, along with the same officers and most of the same personnel. However, the firms do not engage in any securities transactions or related securities business with one another.

Registered Representative Guidelines for Outside Affiliations

Dual Registration

By contract, and in some instances, by state law, you may not represent another broker/dealer concurrently with Verity Investments, Inc. Therefore, you may not process securities transactions of any kind through a broker/dealer other than Verity Investments, Inc.

Outside Business Activities

You may not engage in ANY outside business activities without providing prior written notification to Verity Investments, Inc. In addition, you may not act as a director or officer of any outside corporation without providing prior written notification to Verity Investments, Inc. In both instances, you must agree to abide by certain restrictions, including, among other things, that confidential information regarding either Verity Investments, Inc. or clients will not be disclosed.

2. Designation of Officers and Principals

Gordon T. WegwartPresident
Executive Representative
Chief Compliance Officer
General Securities Principal
(Series 7, 24, 63, 66)

Amy L. Simonson.....VP, Chief Financial Officer
Financial and Operations Principal
Investment Co. & Variable Contracts Principal
Municipal Securities Principal
Direct Participation Programs Principal
(Series 6, 22, 26, 28, 39, 52, 53, 63, 65, 99)

Sean J. McGillVice President
Investment Co. and Variable Contracts Principal
Direct Participation Programs Principal
(Series 6, 22, 26, 39, 63, 65)

William Hopwood.....General Securities Principal
(Series 7, 24, 63, 66)

Troy Dryer.....General Securities Principal
(Series 7, 24, 63, 65)

3. Authorized Products

As a broker/dealer, Verity Investments, Inc. enters into agreements with various investment companies, variable annuity companies, and issuers of direct participation programs for the privilege of offering their products to the public. ***As a registered representative of Verity Investments, Inc. you are authorized to sell only those products approved by the firm and for which you are appropriately licensed.***

You should always identify yourself as a registered representative of Verity Investments, Inc. You are not a representative/employee of any of the investment companies whose products you are offering to a client.

An updated list of approved products can be obtained at any time from the Compliance Officer.

Private Securities Transactions / Selling Away

The term “private securities transaction” refers to any securities transaction outside the scope of a registered representative’s employment with their sponsoring broker/dealer including but not limited to new offerings of securities which are not registered with the SEC. Verity Investments, Inc. strictly prohibits you from offering products to clients that are not expressly approved by and processed through Verity Investments, Inc.

Violation of this provision could provide grounds for termination.

Mutual Fund Selling Agreements:

American Funds Group
American Century
BlackRock
Calamos
Calvert Group/ Eaton Vance
Dreyfus
DWS Investors
Federated Investors
Fidelity Advisor
First Eagle
Franklin Templeton
Goldman, Sachs
Hartford Funds
Invesco

John Hancock Funds
Lord Abbett
Massachusetts Financial Services
Nuveen Funds
Oppenheimer Funds
Phoenix Funds
PIMCO
Pioneer Family of Funds
Potomac Funds
ProFunds
Putnam Funds
Rydex Funds
Seligman Funds
VOYA

Variable Annuity Selling Agreements:

AIG
American National
Annuity Investors Life
AXA
Brighthouse
Horace Mann
Jackson National Life (and JNL-NY)
Jefferson National
John Hancock
Lincoln National
ManuLife
Mass Mutual

Midland
Nationwide Life
Ohio National
One America
Pacific Life
Principal
Protective Life
Prudential
Security Benefit
Talcott Resolution (formerly Hartford)
U.S. Allianz
VOYA

529 College Savings Selling Agreements:

Alliance – Rhode Island

American – Virginia

Franklin Templeton – New Jersey

JP Morgan – New York

Manulife – Alaska

PIMCO – South Dakota

4. Authorized States

Securities solicitation is permitted **only** in those states in which **both** Verity Investments, Inc. and the registered representative are registered. These state registrations must be renewed annually. Before entering into any form of client solicitation, it is necessary for both the registered representative and Verity Investments, Inc. to be registered in both:

1. The state where the client resides, and
2. The state where the sale is taking place.

The only registration exemptions are for certain states which provide *de minimus* exemptions to firms that do only an incidental amount of business in that state. Before a registered representative may solicit under a *de minimus* exemption, **written** authorization from the Compliance Officer is required. The authorization given will be only for the client(s) and/or transaction(s) specified. Solicitation of future clients or transactions not specifically authorized will require an additional written authorization.

Once licensed, a registered representative may register for additional states by submitting an amended U-4 Form along with the appropriate fees to Verity Investments, Inc. Solicitation of business in these additional states may not begin until the registered representative has received **written** approval of their new registration.

An updated list of state approvals may be obtained at any time from the Compliance Officer.

Verity Investments, Inc. is currently registered to conduct securities business in the following states:

[NOTE: variable annuity products may not be available in all states as insurance licensing is also required.]

Alabama	New Jersey
Arizona	New York
California	North Carolina
Colorado	Ohio
Connecticut	Oregon
Florida	Pennsylvania
Georgia	South Carolina
Illinois	Tennessee
Kentucky	Texas
Louisiana	Virginia
Maryland	West Virginia
Michigan	
Missouri	

5. Solicitation Procedures

Regulation Best Interest (Reg BI)

Providing securities-related information to existing or potential clients is a highly regulated process. Information must be communicated accurately and in the appropriate context. Information must be timely. An assessment must be made of the client's needs by gathering adequate information to determine the suitability of a particular recommendation for each individual client. People who fail to communicate information concerning securities products accurately and completely may be subject to FINRA disciplinary action.

Securities recommendations must be in the retail customer's best interest. Verity Investments, Inc. and you as the registered representative may not place our interests ahead of the client's. The best interest standard is an overarching obligation, which is satisfied only if you comply with four component obligations: Care, Disclosure, Conflict of Interest and Compliance.

The best interest standard explicitly applies to recommendations of types of accounts. Verity Investments, Inc. or you must have a reasonable basis to believe that a recommendation of a securities account type (e.g., brokerage or advisory, or whether to recommend anew or rollover IRA) is in the client's best interest at the time of the recommendation and does not place the financial or other interest of Verity Investments, Inc. or you ahead of the interest of the client.

In general, when considering recommendations of types of accounts, you should consider: (a) services and products provided in the account; (b) projected cost of the account; (c) alternative account types available; (d) services the client requests; and (e) the client's investment profile.

With regard to IRAs, in addition to the factors above, you should consider in setting up a new IRA or rolling over from a retirement account: (a) relative fees and expenses; (b) any differences in services available; (c) ability to take penalty-free withdrawals; (d) application of required minimum distributions; (e) available protections from creditors and legal judgments; (f) any holdings of employer stock; and (g) any special features of the existing account. Also, during the rollover process, document the questions you cover with the client, using any required forms in addition to your notes, and review the answers with the client.

Reg BI imposes no duty to monitor a client's account following a recommendation, and it is the policy of Verity Investments, Inc. that registered representatives are prohibited from agreeing to monitor the account of a client of Verity Investments, Inc. (Clients who desire account monitoring service should be referred to the firm's affiliated investment advisory firm, Verity Asset Management). However, you may voluntarily, and without any agreement with your client, review the holdings in your client's account for the purposes of determining whether to provide a recommendation to the client. This voluntary review is not considered to be "account monitoring," and would not create an implied agreement with the client to monitor the account.

In making a recommendation, you are required to **know the product** and have a reasonable basis to believe it is appropriate for at least some investors and **know the customer** and have a reasonable basis to believe your recommendation is appropriate for that customer based on the customer's own investment profile.

Care, skill and costs are also express elements for consideration when making recommendations to clients. Cost must always be considered when making a recommendation. Moreover, consideration of cost includes not only the cost of purchase, but also any costs that may apply to the future sale or exchange of the security, such as deferred sales charges or liquidation costs. However, while cost must always be considered, it is not the only consideration. A recommendation of a more costly product may be more appropriate if there is a reasonable basis to believe that product is in the best interest of a particular client. You must document all recommendations. In addition, Reg BI that any series of recommended transactions must be appropriate and not excessive.

In making any recommendation, you should consider reasonably available alternatives, if any, offered by Verity Investments, Inc. in determining whether there is a reasonable basis for making the recommendation. An evaluation of reasonably available alternatives does not require an evaluation of every possible alternative (including those offered outside the firm) nor require you to recommend one "best" product.

Form CRS – Client Relationship Summary is designed to provide important information to retail customers at various points in a new or existing relationship.

- For new retail investors, Form CRS must be delivered before or at the earliest of (1) a recommendation of an account type, securities transaction, or investment strategy; or (2) opening a new account.
- For existing retail investors, Form CRS must be delivered before or at the time of a recommendation to rollover assets from a retirement account.

For recordkeeping purposes, you must maintain in your records for each individual client:

- Any oral disclosures of material facts that were made to the client to supplement standard written disclosures.
- Documentation of all recommendations made to the client, including the date of the recommendation.
- Records of all information collected from and provided to each client.

Proper Identification

Present a business card at the beginning of each client appointment. Identify yourself as a registered representative of Verity Investments, Inc. You will not use the term "advisor" or "adviser" unless you are an investor advisor representative (IAR), registered municipal advisor, a registered commodity trading advisor or an advisor to a special entity.

Disclosure of Material Facts

In recommending the purchase or sale of a security to a customer, you must as a registered representative disclose all material facts to the customer. In order to communicate material facts, you must acquire a thorough understanding of any product you may recommend. Material facts include, but are not limited to, the investment objectives; historical performance; expense ratios, sales charges (including 12b-1 fees), and any other expenses; risks of investing in the security relative to other investments; and the security's hedging or risk amelioration strategies.

Material facts also include surrender charges associated with a purchase or sale, and relative risks and rewards of any investment being liquidated to purchase the proposed investment. For variable annuities and equity indexed annuities, you must also explain liquidity issues such as surrender charges and tax penalties; mortality and expense charges; and any applicable state premium taxes.

In any comparison between shares of mutual funds/variable annuities and government bonds, fixed annuities, savings account or life insurance, you must make it clear that mutual fund/variable annuity shares are not guaranteed as to principal or income and are subject to fluctuations in the market. In comparing one mutual fund to another, point out the differences and similarities with regard to their objectives, investment policies and anything else that might be necessary to make the comparison fair. In general, comparison of any two securities must adequately address the differing characteristics of each so that an investor may make a fair and informed decision.

Prior to or at the time of the recommendation, Verity Investments, Inc. and/or you must provide the client with full and fair written disclosure of all material facts relating to the scope and terms of the relationship with the client, including the capacity in which you are acting (BD or IA), fees and costs, risks associated with the recommendation, and conflicts of interest. Verity Investments, Inc. generally may satisfy this requirement by delivering the Form CRS (Form Client Relationship Summary) to the client.

However, you must supplement written disclosures with subsequent oral disclosure, wherever the written disclosures fail to capture all material facts. Oral disclosure of a material fact may be required to supplement, clarify or update written disclosure made previously. Verity Investments, Inc. must maintain a record that oral disclosure was provided to the client (but not the substance of the disclosure). Following an oral disclosure, it is a best practice within a timely period to follow up with the client in a written disclosure summarizing the information conveyed orally.

Prospectus Delivery

The best and most complete sales aid for any investment company product, variable annuity or direct participation program is the prospectus or offering memorandum. As a registered representative, you should study these documents thoroughly before offering any product to clients. Encourage each client to read them carefully and to retain them for future reference.

If you are presenting ANY performance information, mentioning or providing supplemental literature which mentions the specific names of any particular mutual fund or variable annuity, you must provide that client a current prospectus for the product(s) mentioned. Advise the client that the prospectus contains detailed

information regarding the charges and expenses associated with that individual product.

This delivery requirement does not remove your obligation to thoroughly discuss the product's characteristics, risks and expenses in detail with each client at the point of each sale.

Suitability

FINRA Rules of Fair Practice require that there are reasonable grounds for believing that any recommendation of an investment or investment strategy, including any recommendation to simply **hold** existing securities, is suitable for the customer upon the basis of the facts disclosed by such customer as to his other security holdings and as to his financial situation and needs. Therefore, it is essential that you ascertain all relevant information about both the product and about the customer's financial situation and investment objectives prior to making recommendations and opening an account. Before making a specific recommendation, gather pertinent information from the client in reference to his/her individual financial position and particular goals. The following list represents the minimum required information.

- What is the purpose or objective of the specific account under consideration?
- What other investments does the client own? What is their investment experience?
- What is the intended time frame for needing access to the money?
- What are the client's liquidity needs?
- Is the client investing a lump sum, or using a systematic investment program?
- What is the total household income? Total portfolio value? Net Worth? Tax Status?
- What is the client's age? Marital status? Number of dependents?
- What is the client's overall risk tolerance profile?

Section 529 Plans

In addition to the considerations to be addressed in any recommendation or transaction, a registered representative offering Section 529 Plans must address certain other considerations unique to Section 529 Plans:

- Since funds will typically be withdrawn beginning with the beneficiary's entry into college, most often at age 18, suitability of share class selection must carefully consider the **age of the beneficiary** in addition to potential breakpoint considerations. In general, Class A shares would generally be expected to be more suitable for younger beneficiaries due to the number of years the investment would be held at a lower charge after the front-end load, while Class C shares would be expected to be more suitable for older beneficiaries due to the shorter period of investment. However, the fund companies offering Section 529 Plans vary in their application of sales charges and breakpoints and may charge differently for 529 Plan share classes as opposed to their standard share classes. You must consider all factors and be prepared to provide your analysis to Compliance upon request.

- Some states offer unique tax treatment or other benefits to residents of their state who use the state's plan. You must be aware of any state-specific benefits that may be applicable to any potential client and must discuss these with the client as part of any consideration for the use of a different state's plan.
- A copy of the official Program literature of the pertinent state plan must be provided to the client no later than the time of application.

Variable Annuities

Due to the higher annual expenses and surrender charges typically associated with variable annuities as compared with mutual funds, you must exercise particular care in assessing the suitability of a variable annuity recommendation. Typically, a variable annuity is an appropriate recommendation only if the investor has a long-term investment objective. For this reason, depending upon the impact of other factors, a variable annuity may often be inappropriate for older investors.

In addition, because the tax deferred feature of a variable annuity is unnecessary inside a tax qualified retirement plan, 403(b), or IRA, a variable annuity should rarely be recommended for such a plan, and then only when its other benefits support the recommendation.

To avoid misunderstanding or confusion, an investor must be informed in general terms of the various features of variable annuities by reviewing with them the information in the Variable Annuity Disclosure document, a signed copy of which must accompany any application. It is also critical to determine the benefit to the investor of certain features of variable annuities and the suitability of the particular variable annuity as a whole.

Particular care must be taken when considering an exchange of a variable annuity, with consideration given to any surrender charge or loss of benefits that may be incurred in surrendering the existing annuity, as well as the potential impact of beginning a new surrender period or the imposition of increased fees or charges associated with the new annuity contract.

For all the reasons above, prior to recommending the purchase or exchange of a variable annuity, reasonable efforts shall be made to obtain sufficient information about an investor to make a thorough suitability determination. At a minimum, this should include all elements of the Verity Investments New Account Application and the Variable Annuity Suitability form.

Equity Indexed Annuities

Any equity indexed annuity classified as a security will fall under the same procedures as other securities products offered through Verity Investments, Inc.

However, most equity indexed annuities are not classified as securities. The sale of equity indexed annuities which are not securities will be treated as an Outside Business Activity, which requires prior notification to Verity Investments, Inc. as noted in Section 1, along with any pertinent amendments to your Form U4.

In order for Verity Investments, Inc. to appropriately supervise this specific type of Outside Business Activity, the following procedures will apply:

- Verity Investments, Inc. must provide advance written approval of any equity indexed annuity products you desire to sell.
- If you are recommending the liquidation of registered securities for the purpose of investing in an equity indexed annuity, you must submit the proposed sale to Verity Investments, Inc. in advance for a suitability review and approval.

In general, because equity indexed annuity products are complex and subject to considerable misinterpretation, all material facts must be addressed in detail with prospective clients, particularly surrender charges and the various limitations upon the product's potential return, including but not limited to spreads, caps, participation rates, monthly averaging, and the absence of dividends.

Direct Participation Programs (Tax Shelters and Limited Partnerships)

Direct participation programs (DPP's) are unique in their characteristics and risks, and thus require considerable care both in selecting prospective clients and in communicating to them the factors to be considered in evaluating an investment in one of these programs. Accordingly, by regulation, they may not in any manner be promoted or offered to the general public. Potential investors must be existing clients of the firm or individuals who have become personally known by the representative as legitimate candidates for this type of investment. Prior to offering a program to an investor who is not a client of the firm, a representative must establish that they have a substantive, pre-existing relationship with the prospect by submitting a Direct Participation Program Prospective Investor Profile form to the Compliance Officer at least 30 days in advance. The only exception is for a prospective client who makes an unsolicited call to Verity Investments, Inc. requesting information about a specific program that they have learned about independently. In this event, the client must sign a Non-Solicitation Acknowledgement Form specifying the person from whom they learned about the program and must provide sufficient information to complete a Prospective Investor Profile so that the Compliance Officer may make a determination as to the qualifications of the investor before issuing an offering memorandum.

In addition to providing the investor a copy of the offering memorandum, it is particularly important to review the document thoroughly with them, being sure to disclose all material facts. Among these are any contingencies associated with the offering; the fact that there may not be a market in these securities, requiring that the investor be prepared to bear the investment risk indefinitely; and any potential that may exist for loss of more than the amount invested. Investors should be strongly encouraged to consult their personal tax and legal counsel in making a determination of the suitability of the investment, including a determination they are in a financial position that will enable them to realize to a significant extent the benefits of the investment, including any tax benefits unique to the program.

Because of the unique and substantial risks associated with DPP's, they may typically be offered only to accredited investors, which include persons with a net worth in excess of \$1 million or persons with a minimum annual income of \$200,000 (or joint income of \$300,000 with their spouse) for the past two years who reasonably expect to reach these income levels in the current year. Exceptions may be made by certain

DPP's to allow for a limited number of "sophisticated" investors who are not able to qualify as accredited investors. In all instances, if the purchaser is not reasonably capable of fully evaluating the issue and its risks, they must use a qualified Purchaser's Representative (usually a lawyer or accountant) to assist them. No sale will be submitted to the issuer until the Compliance Officer has reviewed the client's financial and investment background and has determined that the investment is suitable in light of all relevant factors.

Performance Discussions

Caution must be exercised in all discussions referencing performance information of any individual mutual fund or variable annuity sub-account. The following guidelines must be carefully adhered to:

- Never give the impression that you are projecting in any manner the future performance of any security as this is a direct violation of FINRA regulations and could mislead a prospective investor.
- Always indicate the exact time frame during which the performance is being measured.
- Where possible, show the performance figures over several different time periods. Year-to-date; One-year; Three-year; Five-year; Ten-year and Since Inception figures in total give a more accurate representation than any one time period can provide.
- Carefully explain that Average Annual Performance is not a representation of the actual year by year results of a fund. The performance will vary from year to year. Show this using a prospectus or other approved literature where possible.
- In discussing rates of return on mutual fund shares, use rates calculated in one of the specific manners accepted by the SEC and FINRA. To avoid using incorrect rates of return in sales presentations, only use rates found in approved fund literature or public reference sources (i.e. Wiesenberger, Lipper Analytical Services, Morningstar, etc.).
- **NEVER imply or indicate that past performance is an indication of expected future performance.**
- Provide an understanding of the underlying **management style** and manager tenure of a mutual fund.
- Provide an understanding of the **general market conditions** during the time period for which you are referencing performance figures. Use a context that is suitable for that particular security. Making inappropriate comparisons is deceptive.
- Explain the **risk characteristics** of a security by illustrating, where possible, the historic share price volatility or relative stability.
- Discuss all costs associated with the security. For a mutual fund, relevant costs include the **operating expense ratio, sales loads and contingent deferred sales charges**. Be sure to indicate to the client ways to decrease sales charges through **breakpoints, letters of intent, and rights of accumulation**, including circumstances whereby any person as defined in the prospectus is entitled to a reduced sales charge as the result of a combined purchase.

Breakpoint Sales

A breakpoint is a reduction in sales charges based on the dollar volume of a purchase exceeding a certain minimum. If a proposed fund or fund family offers breakpoint

discounts, the registered representative should disclose the existence of the breakpoints to enable the customer to evaluate the desirability of making a qualifying purchase. The sale of investment company shares in a dollar amount just below the breakpoint is to be avoided. It is the representative's responsibility to advise clients of the availability of a lower charge by investing at or above the next breakpoint or by the execution of a "Letter of Intent."

Rights of Accumulation

The representative shall describe rights of accumulation offered by investment companies to each customer at or before the time of the transaction, explaining that rights of accumulation are available for at least ten days from the date of the first purchase of the fund.

Letter of Intent [LOI]

On any transaction, when the invested amount for "any person," as defined in the prospectus, is more than 50% of the amount required to reach the next sales charge breakpoint, it must be disclosed to the consumer that it is their right, within 90 days from the date of such purchase, to file a retroactive Letter of Intention which would include the original purchase and entitle them to a reduced sales charge on all purchases made within 13 months if the total reaches a breakpoint.

Prohibition Against Selling Dividends

FINRA Rules of Fair Practice specifically prohibit inducing the sale of investment company shares based upon an impending dividend or capital gains distribution, as the purchaser gains no financial advantage as a result of such a distribution and may in fact accrue additional tax liability.

Senior Investors

While there is no hard and fast definition, investment recommendations to "senior investors" warrant very careful assessment. Certain products or strategies pose risks that may be unsuitable for most seniors due to time horizons, liquidity, volatility, or inflation risk. For that reason, special concerns should be taken into effect when determining the suitability of a product for a senior investor, including, but not limited to:

- Seniors and retirees may have an increased need for liquidity and potentially less tolerance for certain types of risk than other investors.
- Over-reliance on net worth is problematic where an investor meets the accredited investor standard based largely on home value.
- It is particularly important when dealing with seniors to base recommendations on current information, including such factors as whether or not the client is still employed or when they will retire, the amount of income they need, their anticipated sources of income, the importance of liquidity, their financial and investment goals, whether they will be relying on investment assets for health care expenses, and other similar considerations.

No investor should be subjected to any form of high pressure sales tactics, and this is particularly true when dealing with senior investors. Anything that attempts to create an artificial or inappropriate sense of urgency around major decisions or commitments,

or anything that might heighten or exaggerate typical fears of older investors, should be avoided. Examples of such practices include:

- Inaccurate or exaggerated claims regarding the safety, liquidity, or expected returns of the investment or strategy being touted.
- Scare tactics in any form.
- Misrepresentations or material omissions about the product or strategy.

Registered representatives and other personnel should also be sensitive to signs of diminished mental capacity or abuse by family members or caregivers when dealings with seniors. Red flags can include:

- Sudden, atypical or unexplained withdrawals
- Drastic shifts in investment style
- Inability to contact the client
- Signs of intimidation or reluctance to speak in the presence of a caregiver
- Isolation from friends and family

Any incidence of such behavior should be reported to the Compliance Officer.

At the time of application for an account and at any time when account information is being updated, all investors will be asked to provide the name and contact information for a trusted contact person, who may be contacted by associated persons of the firm to address possible financial exploitation, to confirm the specifics of current contact information, health status, or the identity of any legal guardian, executor, trustee or holder of a power of attorney.

To avoid potential for misleading clients as to specific credentials of firm personnel, the firm prohibits the use of any “senior designations”, including but not limited to “certified senior advisor,” “senior specialist,” “retirement specialist,” or “certified financial gerontologist.”

Switching

Investment company products and variable annuities have been designed as a conservative long term investments, and not generally as a vehicle for quick, speculative profit making. Despite this, a representative is sometimes inclined, for legitimate investment reasons, to recommend the redemption of one mutual fund or variable annuity for the purchase of another. This practice is referred to as ‘switching’ and must be handled appropriately and always in the client’s best interest.

It is your responsibility as a representative to explain the costs involved in switching from one product to another. Furthermore, it is your responsibility to justify any recommendations made to clients who sell one mutual fund or variable annuity and purchase another.

Sales of this type require either a Switch Sale Form signed by the client or the client’s initials on the disclosure segment at the bottom of the Verity New Account Application. Verity Investments, Inc. will carefully scrutinize switch sales. Such sales must clearly be in the best interest of the client. Where switches are being made from funds where

commissions have already been paid to Verity Investments, Inc., you should explore the feasibility of a net asset value transfer whenever possible.

Dollar-Cost Averaging

You may use the phrase “dollar-cost averaging” to describe any plan of continuous investment in a security at fixed intervals regardless of the price level of the shares. However, the phrases “dollar-averaging” and “averaging the dollars” are not permitted.

Make it clear that while dollar-cost averaging has definite advantages, it cannot ensure a profit or prevent a loss in declining markets. Additionally, the investor should consider their ability to continue to invest during periods of low price levels.

Reference to Government Regulations

If you refer to Federal or state registration, you must make it clear that this does not involve the supervision of the management or investment practices or policies of the securities being offered. Further, you must not represent or imply that the management of a mutual fund, variable annuity, or direct participation program is under the same type of investment restrictions, or is operated under same limitations and fiduciary obligations, as are imposed by governmental authorities on savings banks and life insurance companies.

Disclosure Regarding SIPC Coverage

The Securities Investor Protection Corporation does not insure against market related investment losses or losses related to misrepresentations, nor is it a guarantee against the bankruptcy or default of the issuer of any investment security purchased by a customer. Any representation to the contrary is false and will result in disciplinary action.

6. Taking an Application

Writing a security sale requires accurate paperwork and timely processing. Omissions can cause paperwork to be returned for correction, creating delays in processing client requests.

Verity Investments, Inc. retains the right to reject applications from individuals who are suspected of illegal, unsound, or unethical business dealings; persons who insist on taking unusual and excessive financial risks; persons who have initiated or participated in spurious litigation involving securities transactions; or persons who may be reasonably suspected of money laundering or association with the funding of terrorist activities.

1. **Each new account must be accompanied by a Verity Investments, Inc. New Account Application.** This page contains the suitability information for the client as well as the required identification and account registration information and the intended investment instructions.

Note that this form is required when opening new accounts with an existing client. It is not necessary for subsequent contributions to existing accounts. See Section-7 for further discussion on processing subsequent investment transactions.

Exceptions: A New Account Application will not be required in the case of a ROTH Conversion IRA when the client is converting an existing IRA previously registered on the books of Verity Investments, Inc., via in-kind exchange, to a new ROTH Conversion IRA without any changes in fund allocation. Also, the requirement is waived when re-directing contributions from an existing Traditional IRA held on the books of Verity Investments, Inc. to a ROTH Contributory IRA without any change in fund allocations.

2. **Complete the appropriate account applications or subscription documents provided by the selected issuer (mutual fund, variable annuity, Section 529 plan, or direct participation program).** Include any supporting forms such as Direct Rollover/Transfer Requests, Bank Draft Authorizations, Salary Reduction Agreements, etc.

Make the proper beneficiary designation if it is included on the account form.

For mutual fund accounts, be very careful to link any existing accounts that the client or immediate family member may already own within the same fund family for the purposes of Rights of Accumulation to reach breakpoints.

3. **Do not send any paperwork directly to the issuer without prior approval from the Compliance Officer.**
4. **Advise the client to make checks payable according to the prospectus or subscription document.** DO NOT ACCEPT CASH or any instrument convertible to cash at the discretion of the bearer. Do not accept any other monetary instrument, including money orders, travelers checks, or securities in bearer form. Do not request that checks be made payable to Verity Investments, Inc.

Checks written for purchase of direct participation programs MUST be made payable to the issuer's bank escrow account unless escrow has been broken, after which point they must be made payable to the issuer. Verity requires that all subscriptions to direct participation programs include **payment in full**, regardless of other provisions that may be allowable by the issuer.

All checks must be delivered to the home office or remitted to the home office by noon of the business day following receipt. Exceptions to this policy may be made only at the discretion and under the supervision of the Compliance Officer and must be documented in writing.

Switch Sale Form

Depending on the source of the investment money, additional paperwork may be required. If the funds to be invested are currently in a mutual fund or variable annuity account, the client must sign a Switch Sale Form or initial the disclosure at the bottom of the New Account Application to authorize the transfer.

Change of Broker/Dealer or Representative

If a client/prospect has an existing mutual fund or variable annuity account through another broker/dealer, check with the Compliance Officer to see if Verity Investments, Inc. has a selling agreement for that product. If so, you may suggest that the client appoint you as the current servicing representative. This process requires a Change of Broker/Dealer form.

This form may also be required if you are "adopting" a client that has been "orphaned" by a representative leaving Verity Investments, Inc. In this case, the Broker/Dealer will remain the same, but the servicing representative information will need to be updated with the client's authorization.

Withdrawal Plans

Having a withdrawal plan concurrently with an accumulation plan will ordinarily be disadvantageous to the client because of the payment of unnecessary sales charges. A client who insists on investing in such concurrent programs must be informed of the disadvantages. Additionally, you must not lead your client to believe that a withdrawal plan is a distribution of only earnings on their investment. A withdrawal plan may require that shares of your client's original investment principal be liquidated in order to provide the requested distribution.

7. Subsequent Client Sales and Servicing

Errors

If, in reviewing client accounts or in conversations with a client, you determine any errors to an account, you must bring the errors to the immediate attention of the Compliance Officer for correction. Do not enter any order for correcting an error that has a financial impact without first discussing the situation with the Compliance Officer.

Servicing

Once a client account is established, normal servicing and maintenance on the account may require additional paperwork. Two forms will address most of the service-related needs:

1. Order Ticket

Once a client account is established, the client may make subsequent contributions to the account by sending a check to the fund family. If the client elects to give you a check with instructions to purchase additional shares in a specified account, advise the client to indicate the account number for the intended account on the memo line of the check for the intended account. You will need to write an Order Ticket to submit for processing along with the client check.

Advise the client to make the check payable according to the instructions in the prospectus. Do not accept cash. Do not request that checks be made payable to Verity Investments, Inc.

2. Securities Account Change Authorization

Changes in market conditions, changes in fund management, changes in portfolio sizes, changes in client objectives, changes in client time frames as well as other potential factors may create the necessity to adjust a client portfolio. If the client is accepting your recommendation to move money from one fund to another in the same fund family, Verity Investments, Inc. requires that you obtain the client's signature on the Securities Account Change Authorization confirming their authorization for the transfer. This will provide you with written documentation that can protect you, and the firm, from any future disputes regarding the exchange recommendation.

A Compliance Officer periodically reviews redemptions processed on client accounts. Transfers between funds in an account may be researched for the appropriate authorization. The trade review principal reserves the right to place a service phone call to clients that have executed a re-allocation transfer if the Change Authorization is not in the client file. The trade review principal may also refer the case to the designated principal with supervisory assignment over the servicing registered representative.

Redemption Requests

As a registered representative, you may assist a client in requesting a redemption from an existing account. You may prepare redemption letters for submission to the fund family or assist the client in obtaining a signature guarantee as necessary.

Redemption checks are generated by the account custodian or transfer agent and mailed to the address of record on the account. Under no circumstances may a client redemption check be directed to Verity Investments, Inc. or to a registered representative.

Be alert to redemption requests via email which seek to direct funds to a third party, particularly if it is a request for a **wire transfer** to the third party, or to an address different from the address of record. In these instances, call the client directly to verify all information and carefully review signatures on any resulting paperwork to verify that the email request, even if coming from the client's known email address, is not fraudulent.

You must make your client aware of any fees, penalties or tax consequences that may be applicable to process such a redemption. Verity Investments, Inc. does not charge any fees. You should urge your client to consult a tax advisor as you are not a tax advisor.

8. Customer Complaints

As a registered representative, you operate in an environment of trust and integrity. It is imperative that you conduct yourself in a manner that continues to build confidence in your abilities and in your commitment to quality service and educated advice. Most client concerns can be appropriately addressed through effective communication. The first step is to return all client phone calls and inquiries promptly.

However, if you receive a customer complaint, either written or verbal, you must **immediately** report the matter in writing to the Compliance Officer. Include the original written complaint, if applicable. If you receive a verbal complaint, write the nature of the complaint and your initial response in the form of a memo and submit that to the Compliance Officer immediately if possible (within 24-hours at the latest). Together you must assess the situation and determine the course of action to immediately rectify the problem. Your written notes pertaining to that client account and previous client conversations will be reviewed to determine where the breakdown or miscommunication occurred.

Should the firm become aware of a complaint that a registered representative had prior knowledge of, but failed to disclose to the executive representative or compliance officer, he/she will be subject to disciplinary action up to and including termination without further grounds. This policy also applies to complaints of an operational nature.

9. Retail Communication Policy

All retail communication pertaining in any way to securities or using the name of Verity Investments, Inc. must be produced by Verity Investments, Inc. or under the direct supervision of Verity Investments, and must be expressly approved for the intended use on each occasion.

This pertains to the use of a business card as an advertisement in a newspaper, newsletter, community publication, phone directory, flyer, announcement or any other written correspondence (including electronic communications) directed to more than 25 retail investors within any 30 calendar-day period.

Retail communications/Advertising discovered in public circulation that has not been expressly approved is ground for fines, suspension and/or termination.

The Compliance Officer is eager to approve the types of retail communication initiatives that will help you develop and expand a quality client base. Provide the Compliance Officer with a written request including a copy of the desired advertisement or publication, a description of the intended use, and the intended audience.

As a guide, retail communication includes, but is not limited to:

- Material published, or designed for use in, a newspaper, magazine or other periodical, publication, or telephone directory;
- Any form of promotion or solicitation on television, radio, telephone, signs, fax, electronic (including web sites or social networking sites such as Facebook or Linked In) or other public media;
- Printed material such as business cards and letterhead.

10. Speaking Engagements / Public Appearances

Opportunities may present themselves for you as a registered representative to make a group presentation to a club, civic organization, community group, employer group or other gathering. These opportunities can provide you with a venue to introduce yourself and Verity Investments, Inc. in a very positive manner to a group of potential clients.

All speaking engagements or public appearances must be expressly approved in writing by the Compliance Officer on a Speaking Engagement Approval Request form. All presentation materials, handouts, advertising, and promotional materials to be used in the presentation must be approved, and outside parties may not speak at an event or share, whether directly or indirectly, in any expenses without written approval. Additionally, you are prohibited from charging any fee, even to cover expenses, without prior written approval.

FINRA considers unscripted participation in an electronic forum, such as an Internet chat room as a public appearance. In addition, interactive posts to social networks such as Twitter, Facebook, and Linked In would be similarly considered public appearances. These would fall under the firm's Social Media policy.

The Compliance Officer is eager to assist you in preparing a quality presentation that is effective, legal and informative. This is for your protection, is in the audience's best interest, and is for the protection of the reputation of the firm.

11. Correspondence

All written correspondence with clients or prospective clients, including handwritten notes and facsimile transmissions, must be approved in writing by the Compliance Officer prior to use. If a specific fund is mentioned in any written correspondence, you must include a copy of that fund's current prospectus in the mailing. Facsimile transmissions must, by law, contain in the top or bottom margin of the first page, the date and time it is sent and an identification of the company or individual sending the transmission along with the sending telephone number.

In order to comply with FINRA regulations, all incoming correspondence, including mail marked "personal and confidential" will be opened and reviewed by the Compliance Officer or the designee to screen for customer complaints, cash, and checks made payable incorrectly. Personal non-business correspondence should not be received at the office address.

Electronic mail falls under the FINRA definition of "correspondence". As such, e-mail directed to customers is subject to the same regulations as other correspondence. To monitor compliance, e-mail is subject to random review by the Compliance Officer without obtaining prior approval.

All e-mail with content a representative feels should be reviewed in advance for compliance purposes should be forwarded to the Compliance Officer at: compliance@verityinvest.com. If a specific fund is mentioned in e-mail correspondence, a copy of that fund's prospectus must be included in electronic form or be mailed to the client by the next business day.

Clients should be furnished with your company assigned e-mail address only, and all outgoing e-mail from you to the client must be generated from that same address. Personal e-mail addresses are not to be used for correspondence having anything to do with your business as a securities representative under any circumstances. E-mail correspondence using any electronic device is prohibited unless both incoming and outgoing correspondence is captured by the firm's e-mail retention system.

Business communication via instant messaging or text messaging is currently prohibited.

12. Sales Literature

Sales literature is defined as any written or electronic communication distributed or made generally available to the public, including, but not limited to, circulars, market letters, form letters telemarketing scripts, seminar texts, and reprints of published articles. To protect you from liabilities that can be created by disseminating misleading, inaccurate, inappropriate or unprofessional information to a client, all pieces of sales literature must be produced and/or approved by Verity Investments, Inc. or the appropriate securities issuer. You are not to make any representations to a client other than those contained in such reference material, and you are not to mark or highlight sales literature to emphasize certain portions.

The following items are acceptable for use:

- Historical illustrations of fund performance generated by the mutual fund software when accompanied by a current prospectus for that fund.
- Full Morningstar® reports for the funds that you are authorized to sell through Verity Investments, Inc. that are current and accompanied by a current prospectus for that fund.
- Literature provided by the fund companies that is NOT labeled with “For Internal Use Only” or “Not to be Distributed to the Public.” Review any such literature for an explanation of any prospectus delivery requirements.
- Presentation materials or brochures provided by Verity Investments, Inc.
- Your business card

13. Telephone Communication With the Public

Telephone communication with both prospective and **existing** clients is governed under Federal regulations administered by the Federal Trade Commission and the Federal Communications Commission and also under individual state regulations.

Do Not Call lists are maintained at the Federal, state, and company levels, and the rules may vary for each. The general rule is that calls to phone numbers on any Do Not Call list (Federal, state, or company) are prohibited. Violations may result in Federal fines of up to \$11,000 per violation and additional fines levied by the individual states.

There are only a limited number of exemptions:

- 1) Clients with whom the **company** (not the representative) has an established business relationship. By definition, an “established business relationship” is considered to exist only if a transaction (systematic investment, premium payment, loan, dividend or capital gains distribution, redemption, or any other activity that requires the generation of a customer account statement) has taken place with that client within the past 18 months **or** there has been an application or inquiry within the past 3 months. (Note that some states have more stringent definitions.)
- 2) The company has on file an express written authorization from the consumer. The authorization must specify the company receiving the authorization, the phone number to which calls may be made, the fact that it may be revoked at any time by the consumer, and the company’s address and telephone number for that purpose. It must be signed and dated by the consumer.
- 3) Business to business calls.
- 4) Calls made purely for the purpose of servicing existing business (and thus not for the purpose of suggesting additional purchases).
- 5) Calls to family members and friends (generally defined as someone who would reasonably expect a call from the representative because of their relationship).

Prior to making a call that does not qualify for one of the above exemptions, including calls to persons that are referrals, representatives must consult the National Do Not Call Registry (www.telemarketing.donotcall.gov), the Verity Do Not Call List, **and**, where pertinent, any state-specific registries. (North Carolina currently uses the national Do Not Call Registry, so calls within North Carolina do not require an added search.)

In addition, a person on the **company** Do Not Call list may not be called for solicitation purposes **either at home, at work, or via a wireless number**. The Verity Do Not Call list is posted in the web-based Verity Advisor Workplace under “Compliance”. Consult this list before making a call to any person you do not know. If a person requests not to receive subsequent calls, notify the Compliance Officer to have their name(s) added to the list.

It is a violation of Federal regulations to circumvent a consumer’s caller identification service by failing to transmit the telephone number, and, when available by the telephone company, the caller’s name. Unanswered calls must be allowed to ring 4 times before disconnecting. Verity Investments, Inc. does not permit the use of any

automatic dialing systems or the use of any prerecorded messages for telemarketing purposes.

For regulatory purposes as well as common courtesy, calls may only be made between the hours of 8 a.m. and 9 p.m. At the beginning of the call, you must clearly identify yourself, the company, the sales purpose of the call, and the nature of the products being offered. Before ending the call, you must provide a telephone number where you may be contacted. Calls to persons who hold accounts with the firm or who have conducted any financial transactions with the firm within the past eighteen months are exempt from the provisions of this paragraph.

Any representative who uses the telephone to harass, annoy, or intimidate any person will be subject to immediate disciplinary action, up to and including possible termination and referral to FINRA for potential rule violations.

Unencrypted consumer account numbers may not be disclosed or received for use in telemarketing.

Should a representative violate Verity's Do Not Call procedures, any fines resulting from the violation will be the full responsibility of the representative.

Calls by Unregistered Persons

Unregistered persons, defined as a person not appropriately licensed to sell securities, may contact prospective clients for three purposes only:

- ❑ extending invitations to firm-sponsored events; at which any substantive presentations or solicitation will be conducted by appropriately registered personnel;
- ❑ inquiring whether a prospective client wishes to discuss investments with a registered person;
- ❑ determining whether a prospective client wishes to receive investment literature from the firm.

Unregistered persons may not discuss general or specific investment products or services offered by the firm, pre-qualify prospective customers as to financial status and investment history and objectives, or solicit new accounts or orders.

14. Privacy Policy

Verity Investments, Inc. does not permit the disclosure of any nonpublic personal information about its clients to anyone, except as permitted by law. As a registered representative, you may share nonpublic personal information about your clients only with the following:

- The client. (Note that information about a client's personal accounts may not be shared even with a spouse without the client's **written** authorization.)
- Others within the Verity group of companies in the interest of better serving clients and offering them selected products and services.
- Persons to whom the client has provided written authorization (such as a Power of Attorney) to access his/her information and for whom Verity Investments, Inc. has the authorization on file.
- Administrative personnel you have hired to assist you in servicing your clients and who understand and have agreed to comply with these policies.

If an individual requesting information is not personally known by you, the individual must be identified by having them provide, at minimum, a social security or tax identification number, along with other identifying information as may seem appropriate (including account number, address, date of birth, etc.).

Client records containing nonpublic personal information must be safeguarded. Physical records must be kept in a secured location and electronic records must be password protected. Anyone requesting information regarding a client must be able to furnish reliable evidence that they are one of the above parties.

Paperwork or documents of any type containing non-public client or employee information must be disposed of by mechanical shredding. Electronic information must be destroyed at the source or erased so that the information cannot be practicably read or reconstructed.

15. Personal Securities Accounts

As a registered representative, you must inform Verity Investments, Inc. and obtain written approval prior to opening an outside brokerage account with another broker/dealer on behalf of your self, your spouse, any member of your immediate family living in your household, or any other account under your direct or indirect control.

You must also notify the broker/dealer carrying your account that you are a registered representative of another firm. The broker/dealer with your account, upon your request, should submit duplicate account statements to Verity Investments, Inc. for regulatory review.

Private Securities Transactions

If you would like to participate in a private securities transaction as an investor, you must provide a prior written request to Verity Investments, Inc. This requirement applies also to any private securities transaction proposed by your spouse, dependents, other members of your household, or others who may be under your direct or indirect control. If approved, you must in the future promptly notify the firm of any changes in your participation, including changes in the size of your investment or changes in the types of businesses or services related to the transaction, among others.

New Issues

Similarly to the above, you may not purchase new publicly offered of any securities for any of the types of accounts outlined above without prior written approval of Verity Investments, Inc.

Sharing in Customer Accounts

Prior written approval by the Compliance Officer is required for establishing a joint account with any client (other than immediate family) or sharing any benefit of a securities transaction with a client.

16. Continuing Education

As a registered representative, you are required to complete certain continuing education requirements in order to keep your securities license active.

The Firm Element

Each year, Verity Investments, Inc. will sponsor activities designed to fulfill your continuing education requirements for securities licenses. Your attendance at these activities will be recorded and maintained on file as verification of your satisfactory completion. Any representative reaching the end of a calendar year who has not completed the required training for that year will be placed on inactive status until the requirements are fulfilled.

The Regulatory Element

FINRA requires its own continuing education on a periodic basis following your initial licensing. Verity Investments, Inc. will provide you with notification of these requirements. If you fail to complete the requirements within the specified period, you will be placed on inactive status with all commissions withheld until such requirements are met.

17. Prevention of Misuse of Material Nonpublic Information Insider Trading

Verity Investments, Inc. strictly prohibits any officer, director, employee or registered representative from trading, either personally or on behalf of others, on material nonpublic information or communicating material nonpublic information to others in violation of the Insider Trading and Securities Fraud Enforcement Act of 1988. This conduct is frequently referred to as 'insider trading.' This policy applies to every officer, director and employee and extends to activities within and outside their duties at the company. Any questions regarding the policy and procedures should be referred to the Executive Representative of Verity Investments.

Information is considered "material" if it is likely that a reasonable investor would consider it important in making an investment decision or if it is reasonably certain to have a substantial effect on the company's securities. Information that may be material includes, but is not limited to: dividend changes, earnings estimates, changes in previously released earnings estimates, significant merger or acquisition proposals or agreements, major litigation, liquidation problems, and extraordinary management developments.

Information is considered "non-public" until it has been effectively communicated to the marketplace. One must be able to show that the information is generally public, such as information found in a report filed with the SEC or appearing in a publication of general circulation.

Penalties for trading on or communicating material, non-public information are severe both for individuals involved in such unlawful conduct and their broker/dealer, even if the individual does not personally benefit from the violation. Penalties include: civil injunction; jail sentences; fines for the person who committed the violation of up to three times profit gained or loss avoided; fines for the employer or other controlling person of up to the greater of \$2,500,000 or three times the amount of profit gained or loss avoided; administrative sanctions, such as being barred from employment in the securities industry.

In addition, any violation of this policy statement can be expected to result in serious sanctions by Verity Investments, Inc., including dismissal of the person(s) involved.

18. Non-Cash Compensation

Any offer of any form of non-cash compensation, whether by a client or a company, must be submitted to the Compliance Officer for prior approval.

Gifts or gratuities from a client valued at more than \$100 per calendar year are prohibited by regulation.

Any offers by a company (such as a mutual fund company or insurance company) to attend a function, whether for training or any other purpose, where a representative may receive lodging, transportation, entertainment, or any other benefit other than a meal of moderate cost, must be approved in writing. Failure to notify the Compliance Officer and obtain prior approval may result in disciplinary action.

19. GIFTS, GRATUITIES & BUSINESS ENTERTAINMENT

FINRA Conduct Rule 3060 addresses the issue of improperly influencing employees of a customer. It states that no member or associated person may give, directly or indirectly, anything of value, including gratuities in excess of \$100 per individual per year where such payment is in relation to the business of the **employer of the recipient**.

For the purposes of determining the \$100 limit, the following parameters apply:

- Value of the gifts given by the firm and each of its associated persons to a particular recipient over the course of a calendar year must be aggregated.
- Gifts must be valued at the higher of cost or market value, exclusive of tax and delivery charges.
- Tickets must be valued at the higher of market value or face value.
- If gifts are given to multiple recipients, gifts must be valued on a pro rata per recipient basis.

The prohibitions of Rule 3060 generally do not apply to the following:

- Personal gifts such as a wedding gift or a congratulatory gift for the birth of a child, provided that these gifts are not “in relation to the business of the employer of the recipient.” A gift would not be “in relation to the business of the employer of the recipient,” if (1) there is a pre-existing personal or family relationship between the person giving the gift and the recipient and (2) the registered representative or associated person personally pays for the gift.
- De minimis and Promotional Items:
 - Gifts of de minimis value (e.g., pens, notepads or modest desk ornaments).
 - Promotional items of nominal value that display the firm’s logo (e.g., umbrellas, tote bags or shirts).
 - Plaques or other similar solely decorative items commemorating a business transaction, even when such items have a cost of more than \$100.

Business Entertainment

Ordinary and usual business entertainment where the associated person is acting as host and accompanies the customer’s employee(s) is not generally subject to the above limitations provided that such entertainment is neither so frequent nor so extensive as to raise any question of propriety. “Business entertainment” is defined as providing entertainment to a customer’s employee in the form of any social event, hospitality event, charitable event, sporting event, entertainment event, meal, leisure activity or event of like nature or purpose. It includes transportation and/or lodging associated with or related to such activity or event, including business entertainment offered in connection with an educational event or business conference. However, gifts given during the course of business entertainment and conferences must be recorded as gifts.

Appropriate Forms of Business Entertainment

The criteria that the Firm uses to evaluate the propriety of business entertainment may include the following factors:

- With Respect to the Entertainment:

Whether the nature, cost, or extent of the entertainment could reasonably give rise to an actual or perceived conflict of interest, or encourage a quid pro quo business transaction.

Whether the nature, cost, and extent of the entertainment is consistent with the nature of the business relationship and the relationship of the parties involved.

Whether the provision of any transportation, lodging, or other accommodations is appropriate.

Whether the entertainment would be considered usual and customary within the industry.

Whether the entertainment would be considered usual and customary within the member organization.

Whether the cost of the entertainment is consistent with the location (city and/or establishment) in which the entertainment takes place.

Whether the entertainment extends to the client's spouse or to guests of the client.

Whether the entertainment might otherwise reasonably be perceived to be improper.

- With respect to the client:

Whether the recipient of the entertainment has fiduciary duties (e.g., to a public company, a state, or a municipality) that may give rise to specific legal or ethical considerations.

Frequency of entertainment provided to the client.

Frequency of firm contact with the client in the ordinary course of business.

- With Respect to the Business Purpose:

Whether the entertainment is in recognition of a completed deal.

Whether the entertainment is educational/philanthropic in nature, or strictly recreational.

It is acceptable for associated persons of Verity Investments, Inc. to provide meals; tickets to entertainment, social or sporting events; admission or fees to leisure activities; or other events of like nature, so long as the entertainment would not appear extravagant or excessive under the circumstances or otherwise inappropriate. However, it is prohibited by the firm for business entertainment under any circumstance to have a value of greater than \$150 per person per event, to have a cumulative annual value of greater than \$250, to consist of more than 3 events per person per year, or to involve an overnight stay without prior written approval by the Compliance Officer.

Records of Expenses

Associated persons must submit to the Compliance Officer on a monthly basis detailed records of the nature and expense of business entertainment that includes the following information, at minimum:

- Date(s) of business entertainment
- Customer and employee name(s)
- Description of the activity
- Cost of the activity

Supervision

If an activity is deemed to be so lavish or otherwise inappropriate as to interfere with an employee's duty to his/her employer, the Compliance Officer will require additional training for a first offense. Any further offense will, at minimum, result in a requirement of pre-approval for any proposed business entertainment and may result in prohibition of future business entertainment, at the discretion of the Compliance Officer. To prevent such offenses, the Compliance Officer should be consulted in advance in any instance that may be subject to interpretation of the above guidelines.

20. SOCIAL MEDIA

Categories of content:

- Interactive Posts – Will be spot reviewed periodically under the supervision of the CCO (if a post will recommend or promote any product or service, it becomes an advertisement, which is considered Static Content)
- Static Content – Must be pre-approved by the CCO under the advertising standards.

General guidelines:

- All business-related participation on social networks such as Twitter, Facebook, and Linked-In fall under the terms of the Social Media Policy. Business communications will be defined as any content pertaining to the firm's business in any way, including but not limited to any profiles that list your employer, your job or job title, your work experience, your business related skills, or your professional designations; any offers to receive contacts for consulting, job inquiries, business deals, new ventures, expertise requests, or career opportunities; or any links to business-related groups. The definition of "business communications" is to be interpreted in the broadest possible manner; any uncertainties or "gray area" determinations should be brought to the Compliance Officer for interpretation.
- Use of social media may only be conducted on platforms explicitly approved in writing by the CCO. Even on approved platforms, certain features may be prohibited from use. It is the responsibility of each user to be familiar with these details.
- Testimonials from any source are prohibited – the Linked In "Recommendations" option must be blocked.
- Reference to past specific recommendations is prohibited.
- Statements presented as material facts must be verifiable.
- Biographies or profiles must contain only verifiable information which can be confirmed by the advisor's personnel file.
- Specific performance may not be addressed on these platforms without prior approval.
- Promissory language which cannot be substantiated must be avoided.
- Unsubstantiated claims must be avoided.
- There may be no negative or otherwise disparaging statements about any person or entity.
- To avoid violation of intellectual property rights, copying or paraphrasing the material of others without proper attribution must be avoided.

Privacy / Security

- Login information may not be shared with others, including family.

- Personal client information may not be housed on any site in any manner.
- Privacy policies and concerns apply in the same manner and in this medium as in any other.

Approved platforms:

- Linked In is approved for all features except “Recommendations”, which is prohibited.
- Twitter may be approved by the CCO on an individual basis
- No other platforms are approved at this time.

Monitoring / Archiving

- An archiving service will be used to permanently capture all content, including interactive posts, to permit regulatory review.
- The Chief Compliance Officer will be responsible for pre-approval of static content and monitoring of interactive content. Interactive content will be spot checked no less than quarterly, with representative content of all covered persons reviewed at least once annually. Records of these approvals and reviews will be signed and retained in the compliance files or documented in the archiving service(s).
- Each individual desiring to maintain any social media accounts with business content must first enroll at his or her expense in the firm’s archiving service and remain enrolled for the duration of use of any social media platform.

Disciplinary Action

- First offense, if minor and potentially the result of some misinterpretation, will normally result in a 6-month probation and heightened supervision. If more egregious, in the interpretation and at the discretion of the Chief Compliance Officer, social media privileges may be suspended for 3 months or longer.
- Second offense will result in suspension of privileges for a minimum of 3 months, and potentially longer, at the discretion of the Chief Compliance Officer.
- Third offense will result in suspension of privileges for a minimum of one year, and could incur more severe penalties, including termination, at the discretion of senior management in consultation with the Chief Compliance Officer.

21. Compliance Checklist and Prohibited Practices

SELLING AWAY.

- _____ Acting independently in the securities business or any endeavor that might be construed as involving a security transaction, as an agent for a client or any individual or company without specific written authorization from Verity Investments, Inc. (The Company).
- _____ Accepting compensation, reimbursement of expenses, or other cash payments from unaffiliated issuers, underwriters, sponsors, investment advisors, etc.
- _____ Engaging in the private sale of securities outside the normal association with the Company without prior written approval.
- _____ Raising money from investors without Company approval. This includes, but is not limited to, transactions involving commodities, diamonds, leasing, limited partnerships, oil and gas, precious metals, or real estate.

OUTSIDE ACTIVITIES.

- _____ Acting as a director or officer of any outside corporation without providing prior written notification to Verity Investments, Inc. and then only upon agreement to abide by certain restrictions, including, among other things, that confidential information regarding either Verity Investments, Inc. or clients will not be provided.
- _____ Engaging in any outside business activities without providing prior written notification to Verity Investments.
- _____ Purchasing shares of stock prior to their initial public offering.
- _____ Opening a personal securities account with another broker/dealer without approval of the Company and notification of the other broker/dealer.

COMMUNICATIONS WITH THE PUBLIC

- _____ Using any sales literature other than that provided by the Company or the funds, or using advertisements of any kind, unless previously approved in writing by the Company. (This includes electronic media such as e-mail and web sites.)
- _____ Sending any letters to clients without prior written approval by the Company in each instance.
- _____ Participating in any speaking engagement involving securities without prior written approval by the Company of content and all sales literature and materials to be used.
- _____ Using e-mail to communicate with clients in reference to Company business using any address other than the assigned *verityinvest.com* address.
- _____ Communicating for business purposes on social networking sites without approval.

SALES PRACTICES.

- _____ Accepting currency or monetary instruments, including money orders, travelers checks, and securities in bearer form, from clients under any circumstances.
- _____ Assisting a client in obtaining a loan for the purpose of investing in securities without prior written approval.
- _____ Executing mutual fund and/or variable annuity transactions, including phone exchanges and redemptions, without prior authorization by the client, which must be subsequently confirmed in writing.
- _____ Soliciting securities sales prior to written notification from the Company indicating an approved status in each state where a sale is solicited, and additionally, where any prospective client resides.
- _____ Agreeing to a departure from or alteration of any provision of a customer's agreement without express written consent from Verity Investments, Inc.
- _____ Failing to provide each client with a current prospectus for any fund being discussed.
- _____ Warranting or guaranteeing the present or future value or price of any security or that any company or issuer of securities will meet its promises or obligations.
- _____ Agreeing to repurchase at some future time a security from a client for the employee's account, for the account of the Company, or any other person's account.
- _____ Acting as personal custodian of securities, holding stock powers, money or other property belonging to a client without obtaining prior approval of the Company. Acting as a trustee, administrator, or the like for a customer without obtaining prior written approval.
- _____ Borrowing money or securities from a client or loaning money to a client other than a family member.
- _____ Accepting compensation from a client or anyone other than the Company, for any investment or securities transaction.
- _____ Maintaining a joint account in securities with any client or sharing any benefit with any client resulting from a security transaction without the Company's prior written approval.
- _____ Entering into any business transaction jointly with a client without prior approval from the Company.
- _____ Settling errors directly with a client without the prior written approval of the Company.
- _____ Giving tax or legal advice to clients while acting as agent for Verity Investments, Inc.
- _____ Accepting orders from a third party without prior written authorization from the customer.

- _____ Asserting that a mutual fund with a contingent deferred sales load (CDSL) is a “no load fund” or stating that there is “no initial load” without explaining the nature of the CDSL.
- _____ Failing to consider the suitability of all trades, including consideration of the client’s investment objectives, risk tolerance, age, financial circumstances and the length of time the client plans to maintain the investment.
- _____ Failing to describe any applicable sales charges or fees to clients or to point out the level at which the sales charge is reduced for quantity purchases.
- _____ Failing to explain to all clients who could benefit from them, the uses of Letters of Intent, Rights of Accumulation and Concurrent Purchases.
- _____ Failing to advise clients who purchase shares of more than one fund family that by investing in only one fund family, their sales charges may be lower.
- _____ Switching a client from one mutual fund family to another without explaining all ramifications of the switch and having the client sign the Company’s Disclosure and Authorization form.
- _____ Distributing to clients research material, reports or other documents marked “Internal Use Only” or “For Broker/Dealer Use Only.”
- _____ Sharing commissions with any person who is not a registered representative of Verity Investments, Inc. or rebating any part of a commission to a client.
- _____ Offering direct participation programs without an adequate and substantive pre-existing relationship and suitability analysis.

OPERATIONS.

- _____ Disclosing to anyone outside of the employment of Verity Investments, Inc. information concerning a customer’s transactions or accounts without the prior written approval of the Company and the client.
- _____ Failing to inform the Company, within 7 days, of any changes of information included in the original U-4.
- _____ Failing to immediately communicate in writing any customer complaints, written or verbal, to a registered principal of the Company.
- _____ Forwarding confirmations or statements of accounts other than to the official mailing address of the client.
- _____ Opening mail unless functioning as person in charge of a branch office.
- _____ Preparing and/or providing to customers confirmations and statements.
- _____ Failing to submit or mail securities sales to the home office within one business day of execution.

GIFTS.

- _____ Spending more than a reasonable amount for the entertainment of customers without prior approval from the Company or giving any gratuity in excess of \$100 per year to an employee of a client.
- _____ Accepting a gift in money or property from a client without the prior approval of the Company.
- _____ Accepting non-cash sales incentives from issuers, underwriters, sponsors, etc. in excess of \$100 per year.

INSIDER TRADING.

- _____ Trading, either personally or on behalf of others, on material nonpublic information or communicating material nonpublic information to others in violation of the Insider Trading and Securities Fraud Enforcement Act of 1988.