



*Where Relationships Are the Difference*

**ITEM 1 – COVER  
PAGE**

## FORM ADV PART 2 BROCHURE

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# WORLD EQUITY GROUP, INC.

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This Brochure provides information about the qualifications and business practices of World Equity Group, Inc. If you have any questions about the contents of this Brochure, please contact us at 1-800-765-5004. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about World Equity Group, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by using a unique identifier known as a CRD number. World Equity Group, Inc.'s CRD number is 29087.

**DATED  
MARCH 31, 2019**

World Equity Group is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## ITEM 2 - MATERIAL CHANGES

On July 28, 2010, the United States Securities and Exchange Commission (“SEC”) published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by the Investment Advisers Act of 1940 (“IA Act”) rules.

Pursuant to the rule under the IA Act, World Equity Group, Inc. (“WEG”) will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days as of the close of its fiscal year end of 12/31. World Equity Group, Inc. will provide its clients with other ongoing disclosure information about material changes to its Form ADV as necessary.

WEG will also provide clients with a new Brochure as necessary based on changes or new disclosure information to its Form ADV. A brochure may be requested by contacting WEG at 800-765-5004.

Additional information about World Equity Group, Inc. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s website also provides information about any persons affiliated with World Equity Group, Inc. who are registered known as access persons and/or Investment Adviser Representatives (“IARs”) of World Equity Group, Inc.

This summary of material changes identifies, and provides information to the changes made to World Equity Group, Inc. Form ADV 2A Brochure since its last update on March 31, 2018. To review all changes since the last update, please review the entire brochure.

### **Change of Ownership**

On November 1, 2018, the two principal owners of World Equity Group, Inc. Richard Babjak and Robert Yarosz entered into a proposed purchase agreement with Wentworth Management Services, LLC (“WMS”) whereby WMS agreed to purchase the ownership interests in WEG. WMS is indirectly owned by Alexander Markowits, who owns MHC Securities, LLC. The transaction and regulatory approval are expected to be completed during the second quarter of 2019. The consummation of the transaction will result in ownership changes to WEG and to some officers of World Equity Group, Inc. The management and supervisory personnel of WEG will remain the same with additional resources and personnel added from WMS. WEG’s day to day operations will continue to be managed by its current senior management team and operations personnel and WEG’s business activities and product lines are not expected to materially change.

WMS indirectly owns two other broker/dealers that are registered with the SEC and the Financial Industry Regulatory Authority (“FINRA”), two affiliated Registered Investment Advisers registered with the SEC and two corporate insurance agencies.

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# ITEM 4 - ADVISORY BUSINESS

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## ABOUT WORLD EQUITY GROUP, INC.

World Equity Group, Inc. (“WEG”) was founded in 1993. World Equity Group, Inc. is a Registered Investment Adviser (“RIA”) with the United States Securities and Exchange Commission (“SEC”), and is also registered as a Broker/Dealer with the Financial Industry Regulatory Authority (“FINRA”) and SEC. WEG is licensed to conduct investment advisory and securities business as a Broker/Dealer and Registered Investment Adviser in all 50 states, the District of Columbia and Puerto Rico.

WEG focuses its business on assisting its clients and their families, business entities, non-profits and other financial institutions with providing investment advice, investment and portfolio asset management services and financial planning services. WEG provides a variety of investment asset management services including actively managed portfolios, investment advisory asset management programs, wrap programs, asset allocation strategies and programs, third-party money managers and financial planning services.

## OWNERS

**Richard Steven Babjak**, born in 1963, is the President of World Equity Group, Inc. and is an Investment Adviser Representative (“IAR”) and Registered Representative (“RR”) of WEG. In addition, he is the Secretary and Treasurer of WEG. Mr. Babjak has been with WEG since September of 1997. Mr. Babjak received his BS in Business and Psychology from North Central College in 1985, and his MBA from Wayne State University in 1988. He has successfully completed the FINRA Series 4, 6, 7, 22, 24, 27, 53, 63, and 65 examinations. Mr. Babjak holds professional industry designations including ChFC (Chartered Financial Consultant), CLU (Chartered Life Underwriter), CFS (Chartered Financial Specialist) and RFC (Registered Financial Consultant).

**Robert Daniel Yarosz**, born in 1952, is the President of Compass Asset Management an Investment Adviser Representative and Registered Representative of WEG. Mr. Yarosz has been with WEG since September of 1997. Mr. Yarosz received his BS degree from Edinboro University in 1975. He has successfully completed the FINRA Series 6, 7, 22, 24, 63, and 65 examinations. Mr. Yarosz received his ChFC designation from American College in 1995. He is also a member of the International Association of Financial Planning and the International Association of Registered Financial Consultants.

## SERVICES WORLD EQUITY GROUP OFFERS

WEG offers investment advisory asset management and portfolio services, investment supervisory services, financial planning and financial consulting services. Investment advisory asset management programs include both individually managed accounts and separately managed account programs. Investment advisory services are offered for accounts opened at WEG with assets held in custody at RBC Capital Markets, Pershing, LLC, or TD Ameritrade. Each custodian charges varying fees, charges and expenses for their custodial platforms. Therefore, the client could pay higher fees, charges and expenses depending on the program and custodian. Wrap-fee programs are more fully described in the ADV Part 2A – Appendix 1. WEG and its Investment Adviser Representatives (“IARs”) who recommend investment advisory services and asset management programs to clients receive compensation as a result of a client’s participation in the program. The compensation paid to WEG with respect to asset management programs varies depending on the program. Therefore, WEG and its IAR may have a financial incentive to

recommend one program that provides greater compensation to WEG or its IAR over other programs and services.

Nearly all of WEG's Investment Adviser Representatives ("IARs") are also dually registered as Registered Representatives ("RRs") and offer securities through World Equity Group, Inc. ("WEG"), a broker/dealer registered with the SEC and a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). Most are also licensed as independent insurance agents and they solicit, offer, recommend and sell insurance products in the states in which they are licensed to conduct business. Therefore, IARs can potentially be acting in all three capacities when soliciting, offering, recommending and selling investment products, investment advisory services and/or insurance products to clients. The dual registration as RRs and IARs and also being licensed as independent insurance agents creates a conflict of interest for WEG and its IARs when they solicit, offer, recommend and sell investment and insurance products for which the client would pay a commission, while also soliciting, offering, recommending and selling investment advisory services and managing the assets in the clients' account for an investment advisory fee. The IAR may also have a financial incentive to recommend certain products based on the compensation received, rather than client's needs.

WEG and its IARs may solicit, offer, recommend and sell fee-based investment advisory services, including fee based financial planning, and fee-based asset managed accounts. IARs when also acting as RRs and/or independent insurance agents may also solicit, offer, recommend and sell securities and insurance products, including but not limited to individual stocks and bonds, open end mutual funds, closed end funds, Exchange Traded Funds ("ETFs"), fixed and variable insurance products, and non-traded alternative products, such as Real Estate Investment Trusts ("REITs"), private placements and direct participation programs ("DPPs"). The client will usually be charged a commission when purchasing these types of securities or insurance products. Depending on the type of securities product recommended and sold, and/or the nature of the investment advisory services recommended by the IARs, clients may either be charged a commission or an investment advisory fee or a combination of them. Commissions are most often charged for securities products purchased and sold on a transaction by transaction basis in a commission-based brokerage account or that are submitted to and held directly with a product sponsor. An investment advisory fee is usually charged based on the amount of the client's assets under management with the IAR as agreed upon under an Investment Advisory Agreement signed by the client.

The IAR will make a determination based on the client's financial situation, age, income, tax status, investment objectives, and risk tolerance whether to recommend a commission-based product or enter into an investment advisory fee relationship or a combination of both. Some securities products, such as alternative products, which include investment products that are non-traded and are generally considered to be illiquid investments may not be eligible to be placed in a fee-based investment advisory account and can only be purchased on a commission basis.

Background information regarding each Investment Adviser Representative is contained in the IAR's individual Brochure Supplement, which is known as the Part 2B Brochure Supplement of Form ADV. A copy of the Part 2B Brochure Supplement will be provided to each client on or before the client executes the Investment Advisory Agreement with World Equity Group, Inc. WEG and its IARs do not provide any advice regarding whether to participate in class action lawsuits brought by a third-party against the issuers of securities held in a client's account.

**See Item 5 (Fees and Compensation) for additional information on commissions and fees.**

### **Investment Supervisory Services and Individual Portfolio Management**

IARs provide continuous advice to clients regarding the investment of client funds based on the individual needs of the client. The IAR and the client discuss the client's specific financial situation, goals, investment objectives, investment experience, time horizon, liquidity needs and risk tolerance. The IAR will then develop asset allocation strategies and/or models and make recommendations to the client to manage the client's portfolio according to those agreed upon parameters.

Investment management services are provided under a written Investment Advisory Agreement between WEG and the client. Under the terms of the Investment Advisory Agreement, the IAR is either authorized by the client to execute transactions on a discretionary basis without the requirement to contact the client or on a non-discretionary basis requiring the client's authorization for each investment recommendation. If the client's financial situation, investment objectives and/or risk tolerance change he or she should promptly notify their IAR of such changes.

**The following provides a description of the types of investment advisory services and programs offered and provided by WEG and its IARs:**

### **TYPES OF PROGRAMS:**

#### **COMPASS ASSET MANAGEMENT**

Compass Asset Management ("CAM") is a separately managed account program sponsored by WEG. With the CAM program, the IAR assists clients with selecting a portfolio model based on the client's risk tolerance, personal and financial information and profile from responses provided by the client. Depending upon the client's investment objectives, goals, risk tolerance and other factors, the IAR recommends to the client a program model portfolio that meets the client's stated investment objectives. WEG manages the portfolio models on a discretionary basis. There are four models designed for accounts with assets of \$100,000 and over that include individual stocks, Exchange Traded Funds ("ETFs"), individual bonds, Unit Investment Trusts ("UITs") and mutual funds. There are two models designed for accounts under \$100,000 that do not include individual stocks. Investments are not required to be invested in any particular asset class. Compass Program models use proprietary filtering processes that evaluate market risk, asset class risk, sector risk and individual security risk using a variety of technical indicators.

#### **CUSTOMIZED ASSET MANAGEMENT PROGRAMS AND INDIVIDUALLY MANAGED PROGRAMS**

WEG offers asset management services to clients through customized portfolio programs. In the customized programs, clients may authorize WEG IARs to purchase and sell mutual funds, ETFs, individual stocks and bonds, and other securities approved by WEG on a discretionary or non-discretionary basis depending on the authority granted to the IAR and investment objectives chosen by the client.

In opening a customized asset program account, the IAR obtains personal financial, investment objective(s) and risk tolerance information from the client, and recommends an asset management account. The details of the account relationship are outlined in the client agreement for any customized program account, which may include the use of an Investment Policy Statement ("IPS") or specific investment guidelines.

A customized program account may cost the client more or less than purchasing program services separately. Factors that bear upon the cost of the account in relation to the cost of the same services purchased separately include: the type and size of the account, the historical and/or expected size or number of trades for the account, and the number and range of investment advisory and client related services provided.

### **RBC ADVISOR PROGRAM**

The RBC Advisor Program is an asset management program managed by the IAR in a fee-based investment advisory account opened at WEG and held in custody at RBC Capital Markets (“RBC”). The IAR recommends an asset allocation in no-load and load waived mutual funds, individual stocks and bonds. For clients investing solely in no-load or load waived open-end mutual funds, when the actual allocation among the mutual funds in the client’s account varies from the mutual fund allocation established by the client, the client can choose (i) to have the account automatically rebalanced, (ii) to be alerted when rebalancing would be recommended or, (iii) to assume responsibility for advising the IAR when the client determines rebalancing should occur.

The minimum initial investment for the program is negotiated between the IAR and each client. Accounts are charged a fee based on the assets under management calculated on the value of all securities in the account. There is annual trade allotment limit that ranges from 30 to 300 trades based on the account value. The ticket charge is \$12 per trade after the trade allotment is met. The fees and charges cover (i) an initial analysis and periodic reviews of the client’s investment objectives, risk tolerance and needs; (ii) advisory services, including any money managers; (iii) account statements and portfolio reviews; (iv) transaction execution costs; (v) custody of the client’s assets; (vi) postage and handling charges, and (vii) regulatory expenses assessed on securities transactions.

As part of the firm’s clearing agreement with RBC Capital Markets, a monthly minimum commission threshold exists. If the threshold fails to be met in a calendar month WEG must pay RBC the difference between the amount of commission generated and the minimum threshold. A potential conflict of interest arises with the RBC accounts in that WEG may route orders to RBC Capital Markets in order to meet the minimum threshold.

### **TD AMERITRADE ADVISOR PROGRAM**

The TD Ameritrade Advisor Program is an investment advisory asset management program where the IAR manages an account held in custody at TD Ameritrade Institutional. The IAR makes recommendations for investments consistent with the client’s financial situation, investment objectives and risk tolerance from the information gathered in the client’s financial profile. Investments in securities of any kind issued by the U.S. or foreign issuers, such as common and preferred stocks, warrants, options, rights, corporate or government bonds or notes, shares of money market mutual funds, cash, and permitted alternative investments may be recommended by the IAR to the client.

The minimum initial investment amount for the program is negotiated individually with each client. Accounts are charged an Assets Under Management (“AUM”) fee, based on the value of all billable assets in the account. TD Ameritrade Institutional will receive either transaction-based fees or asset-based fees from acting as custodian. Additionally, TD Ameritrade Institutional may charge fees for interest on clients’ credit balances, 12b-1 fees, custodial and other administrative expenses.

### **ADHESION MONEY MANAGEMENT WRAP PROGRAM**

The Adhesion Money Management Program is a separately managed WRAP account program sponsored by WEG and managed by Adhesion Wealth Advisor Solutions, a third-party money manager where the client’s assets are custodied at TD Ameritrade. The IAR assists clients with allocating funds among several portfolio managers available in the program. The allocation recommended is based on the client’s personal financial information, investment objectives, risk tolerance and needs. The client completes a

Risk Tolerance Questionnaire to help determine the appropriate risk tolerance. Assets will be held in a separate sub-account under Adhesion Wealth Advisor Solutions. Portfolio managers are granted authority by the client to invest and reinvest the funds on a discretionary basis, in accordance with a model or investment strategy maintained by the portfolio manager. The WEG IAR has discretion to reallocate funds among the selected portfolio managers or change portfolio managers, and the client may request funds to be reallocated at any time.

Adhesion Wealth Advisor Solutions will coordinate portfolio manager trading activity including whether and how to implement trading instructions received from the portfolio managers. Adhesion's objective is efficiently managing the client's account with diversification asset allocation strategies, and rebalancing the account when needed or requested while attempting to manage the portfolio in a tax efficient manner.

Adhesion Money Management is further described in detail in the ADV Part 2A – Appendix 1 – Adhesion Wrap Fee Program Brochure disclosure document and is provided in addition to this disclosure document. Some of the Adhesion programs are managed by outside third-party money managers that are Registered Investment Advisers (“RIAs”). Each of these RIAs will provide a copy of their disclosure documents (Form ADV Part 2 and /or ADV Part 2A – Appendix 1) which will further describe in detail the program, fees and risks. The disclosure document is available from your IAR or by contacting WEG at [compliance@weg1.com](mailto:compliance@weg1.com).

### **REPS CHOICE MONEY MANAGEMENT PROGRAM**

Under the Reps Choice Money Management program, the IAR will assist the client in selecting third-party portfolio managers to manage the account based on the client personal financial situation, investment objectives, risk tolerance and needs. The client chooses a selection of portfolio managers. The client must contact the WEG IAR in order to change portfolio managers or change asset allocations among portfolio managers. The portfolio managers will invest percentages of the account (“subaccounts”) allocated to them on a discretionary basis or will instruct WEG how to invest the subaccounts. Neither WEG nor the IAR will make any recommendations or provide individualized investment advice regarding specific investments or have any authority to make investments in the account or subaccounts.

Reps Choice Money Management is further described in detail in the ADV Part 2A – Appendix 1 - Reps Choice Wrap Fee Brochure disclosure document and is provided in addition to this disclosure document. Some of the Reps Choice programs are managed by outside RIAs. Each of these RIAs will provide a copy of their disclosure documents (ADV Part 2 and/or ADV Part 2A –Appendix 1) which will further describe in detail the program, fees and risks. The disclosure document is available from your IAR or by contacting WEG at [compliance@weg1.com](mailto:compliance@weg1.com).

### **CRYSTAL CAPITAL PARTNERS**

Through a relationship with Crystal Capital Partners, LLC (“Crystal”) WEG IARs may recommend customized hedge fund portfolios. Crystal specializes in building customized hedge fund portfolios with the objective of leveraging the existing holdings of client investments. With Crystal's services, the client has access to top tier hedge fund managers, detailed analytics, reporting and comprehensive due diligence that is usually only available to the largest institutions. Most customized accounts will be invested with investment managers or investment funds through a series fund organized by Crystal. The investment managers and investment funds that are recommended will be selected from a list that has been developed by Crystal, based on its quantitative and qualitative research of the managers and funds. After the client approves the customized portfolio that is recommended, the client will invest in a series or portfolio of Crystal Capital Fund Series, LLC (the “Crystal Fund”), that is managed by Crystal. The Crystal Fund is a private investment fund that has several segregated portfolios. Each portfolio is a separate pool of assets constituting a separate fund with its own investment objectives and policies.



Clients who invest in customized hedge fund portfolios structured by Crystal Capital Partners, LLC, pay fees to Crystal Capital Partners, LLC, the manager of each hedge fund, and WEG. WEG's fee will range up to an annual advisory fee of 1.5%. Crystal Capital Partners, LLC will also charge an annual fee of up to 1.5% which may include a placement fee payable to WEG. The underlying money managers' fees will vary. The fees are disclosed to investors in the offering documents and agreements signed at the time the account is opened. WEG's advisory fee for these assets are collected by Crystal Capital Partners, LLC. Fees charged to advisory clients vary by account and are negotiated between the client and the RIA.

### **FINANCIAL PLANNING AND CONSULTING SERVICES**

WEG and its IARs offer fee based financial planning and consulting services. Financial planning is a detailed evaluation of a client's current and future financial situation by using current data and unknown variables to estimate future cash flows, asset values and withdrawal plans. Clients purchasing this service receive a written plan, report or analysis depending on the planning services agreed on designed to assist the client in achieving his or her financial goals and objectives.

The fees for financial planning services are negotiable and depend on the nature of the financial planning or consulting services provided, the time and the complexity of each client's circumstances. All fees are agreed upon prior to entering into the Financial Planning or Consulting Agreement with the client.

Specialized services may also be offered using similarly negotiated rates. All fees are negotiable, and may be paid prior to or upon completion of the financial planning or consulting services as agreed upon in the agreement. Plan updates may be provided for an additional fee if the update is for the same services and amount stated in the Financial Planning Agreement. Any additional financial planning services will require the client to sign a new Financial Planning or Consulting Agreement.

In general, financial planning can address any or all of the following areas:

1. Asset Allocation: Based on the client's financial situation, investment objectives, and risk tolerance, IARs may make asset class or asset mix recommendations.
2. Education Planning: Based on the client's financial situation, investment objectives, and risk tolerance, IARs may make an analysis and recommendations as to the savings and investment goals clients would need to set in order to provide adequate capital for higher education goals.
3. Estate Planning: Based on the client's financial situation, investment and estate distribution objectives, and risk tolerance, IARs may make an analysis and recommendations for strategies to help provide clients maximum estate value retention and liquidity.
4. Financial Statements and Portfolio Reports: IARs may provide clients with a financial statement or portfolio report and analysis.
5. General Analysis and Planning: IARs can also provide planning on a more focused basis. This may include advice on only an isolated area(s) of concern such as estate planning, retirement planning or other planning service offered by WEG.
6. Insurance Profile/Analysis: IARs may make an analysis and recommendations as to the adequacy of insurance coverage and possible solutions to any perceived gaps in insurance.
7. Retirement Planning and Analysis: Based on the client's financial situation, investment objectives, and risk tolerance, IARs may make an analysis and recommendations as to the savings and investment goals clients would need to set in order to provide adequate capital and income to maintain their standard of living after retirement.
8. Business Retirement Planning: Based on a business's objective to provide or assess retirement planning opportunities for its employees and/or partners, an IAR may provide a review of a current business retirement plan, assist in the review or preparation of an Investment Policy Statement, or

work with the business to install a retirement plan.

The IAR gathers required information through in-depth personal interviews. Information gathered includes the client's current financial situation, tax status, future goals, returns objectives and attitudes toward risk. The IAR will review financial documentation and statements provided by the client, and may have the client complete a risk tolerance questionnaire. The IAR will then prepare a written financial plan, report or analysis specific to the financial planning services agreed upon with the client. Should the client choose to implement the recommendations contained in the financial plan, report or analysis, the IAR will recommend that the client work closely with his or her attorney, accountant, insurance agent, and/or financial professional. The implementation of financial plan recommendations by the IAR is entirely at the client's discretion. Typically, the financial plan is presented to the client within 90 days of the agreement date, provided that all information and documentation needed to prepare the financial plan has been promptly provided by the client.

Since IARs of WEG are also Registered Representatives ("RRs") of WEG, recommendations made by the IARs to the client to implement financial plans are limited to only those products offered through World Equity Group, Inc. Any insurance recommendations will be limited to the insurance companies that the IAR is licensed to conduct business with as an insurance agent or broker. WEG's IARs do not make recommendations concerning the purchase or sale of specific securities in the financial plan.

Clients should be aware that there can be no assurance or guarantee that any of the objectives and goals outlined in the financial plan may be achieved. The client is under no obligation to implement financial planning recommendations through WEG or its IAR and may implement them through any other broker/dealer or insurance agent.

### **SERVICES FOR QUALIFIED RETIREMENT PLANS**

#### **Retirement Management Systems (RMS)**

Under the Retirement Management Systems ("RMS") program, the IAR or RIA will construct a model portfolio or customize a portfolio for each client 401(k) plan account. The 401(k) plan is held at a custodian chosen by the 401(k) plan administrator. The portfolio will be constructed based on the investments or funds available within each individual client's 401(k) plan. The model choices are conservative, balanced, growth and aggressive growth. RMS shall provide investment management services by allocating and reallocating assets within the plan consistent with the model or portfolio allocation chosen by the advisor through the IAR. Additionally, RMS provides (i) access to tools for viewing and managing client data, including software and website access ("Program Systems"); (ii) information and/or professional evaluations regarding the qualifications and performance of investment companies ("Funds") and securities made available through the Plans; (iii) operational and administrative services in connection with Program account set-up and maintenance; (iv) calculation of the Program Fee, collection and allocation of that fee between RMS and Adviser; (v) marketing materials, and (vi) performance reporting to Clients.

The account minimum is: \$10,000.

Additional 401(k), 403(b), and other retirement plan advisory services are offered. These plans will vary based upon the Third-Party Administrator ("TPA") of the plan, the plan custodian, and investment selections available under each plan.

### **THIRD PARTY MONEY MANAGER ASSET MANAGEMENT PROGRAMS**

In addition to the asset management programs managed through WEG, other programs offered by WEG are sponsored and managed by various outside, third-party money managers registered as Registered Investment Advisers that are unaffiliated with WEG. **Each of these programs will provide a copy of their disclosure documents (ADV Part 2 and/or ADV Part 2A – Appendix 1) which will further describe in detail their programs, account minimums, fees and risks.** These additional disclosure documents are available from your IAR or by contacting WEG at [compliance@weg1.com](mailto:compliance@weg1.com).

Clients should be aware that by engaging third-party money managers, the client will pay a management fee to these money managers in addition to an asset management fee to WEG.

### **CLIENT IMPOSED RESTRICTIONS**

Investment advisory asset management programs can be tailored to the needs of individual clients. A Risk Tolerance Questionnaire is completed that includes the client's financial situation, investment objectives, risk tolerance, time horizon, financial situation and other factors used to construct a managed portfolio appropriate for that specific client.

Each client has the ability to impose reasonable restrictions on the management of the client's account, including only purchasing and holding particular types or classes of securities or securities that should not be purchased for the account, or that should be sold if held in the account. If the client's instructions with respect to types or classes of securities that cannot be purchased or held in the account are deemed to unreasonable or WEG believes it cannot effectively manage the account given the restrictions required by the client, WEG will notify the client that unless the restrictions are modified, WEG cannot manage the client's account and it will be closed. A client will not be able to provide instructions that prohibit or restrict an outside third-party money manager RIA of an open-end or closed-end mutual fund or exchange-traded fund with respect to the purchase or sale of specific securities or types or classes of securities within the third-party managed account. Account restrictions must be in writing by the client and provided to the IAR.

### **WRAP FEE PROGRAMS**

WEG participates in wrap fee programs by providing portfolio management services through the Adhesion and Reps Choice programs, which are described in each program's ADV Part 2A – Appendix 1 Wrap Fee Program Brochure. WEG also participates in wrap fee programs managed by RBC Capital Markets. There may be differences between the way a wrap fee account is managed and how the other, non-wrap accounts are managed and different fee structures. Wrap fee programs are where investment advisory services and brokerage execution services are provided for a single "wrapped fee" in the account. Other asset management programs typically charge an asset management fee in addition to transaction ticket charges and other brokerage and custodial fees, charges and expenses. WEG receives a portion of the wrap fees for the investment advisory services it provides.

### **ASSETS UNDER MANAGEMENT**

WEG has assets under management of \$. This includes assets managed on a discretionary basis of \$630.94 million and managed on a non-discretionary basis of \$. The calculation determining the assets under management was completed as of March 31, 2019.

# ITEM 5 - FEES & COMPENSATION

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## COMPENSATION FOR ADVISORY SERVICES

WEG provides investment advisory services for a fee based on the amount of assets under management (“AUM”) in the client’s account. Fees specific to each available program offered through WEG are described below. In any available program, annual fees shall not exceed 3% of the assets being managed, excluding ticket charges, fees and other administrative costs.

## COMPASS ASSET MANAGEMENT FEES

Compass Asset Management accounts are charged an Assets Under Management (“AUM”) fee, based on the value of all securities in the account, plus a ticket charge of up to \$25 per transaction. These fees, charges and expenses cover (i) an initial analysis and periodic re-evaluation of the client’s investment objectives and needs; (ii) all advisory services, including any money managers; (iii) account statements and portfolio reviews; (vi) postage and handling charges, and (vii) regulatory expenses assessed on equity trades.

The AUM fee schedule for Compass Asset Management is as follows:

<u>Assets Under Management</u>	<u>Standard Annual Fee</u>
\$50,000 - \$100,000	2.75%
\$100,001 - \$250,000	2.00%
\$250,001 - \$500,000	1.50%
\$500,001 - \$1,000,000	1.35%
\$1,000,001 - \$3,000,000	1.25%
Over \$3,000,000	1.00%

Fees are negotiable. A client may terminate the Investment Advisory Agreement at any time in writing and receive a pro-rated refund of the investment advisory management fees. Fees are negotiable. The minimum initial investment for the program is \$50,000. The program manager may accept lower account amounts at its discretion.

## FINANCIAL PLANNING AND CONSULTING SERVICES FEES

The fees for financial planning services are negotiable and depend on the nature of the financial planning or consulting services provided, the time and the complexity of each client’s circumstances. All fees are agreed upon prior to entering into the Financial Planning or Consulting Agreement with the client.

Fees for financial planning services may be charged in the following manner:

**Hourly Fees** - IARs may charge an hourly fee for financial planning services. The amount of the hourly fee is set by each IAR and is described in the Financial Planning Agreement signed by the client. The minimum charge is \$75 per hour and the maximum charge is \$300 per hour.

**Fixed Fees** - IARs may charge a fixed fee for particular financial planning services. The total financial planning fee will be determined based upon the nature and complexity of the financial planning services provided to the client.

The hourly or fixed financial planning fees are in addition to any commissions that may be charged by WEG and IAR in his or her capacity as a Registered Representative as a result of the client implementing any recommendations made by the IAR. Generally, financial planning fees are payable at the time the client signs the Financial Planning Agreement. However, depending on the fee and complexity of the financial planning services provided, the IAR may collect a portion of the fee upfront with the remaining portion due at the delivery of the financial plan to the client. However, payment will not exceed \$1,200 in advance for development of a financial plan that will not be completed within six months.

Clients should understand that the fixed or hourly financial planning fees charged to the client may be higher than the financial planning fees charged by other investment advisers for similar services. Clients should consider the level and complexity of the planning services to be provided when negotiating the fee with their IAR.

The Financial Planning or Consulting Agreement for financial planning services may be terminated at any time by providing written notice to the appropriate parties. Financial Planning services will be terminated upon receipt of such notice without penalty. However, the client will be charged a pro-rata portion for financial planning services rendered up to the date of termination of the agreement. After receiving notice of termination, WEG will promptly send the pro-rata refund of any financial planning fees paid in advance.

#### **CUSTOMIZED ASSET MANAGEMENT PROGRAMS AND INDIVIDUALLY MANAGED PROGRAMS FEES**

##### **RBC Advisor Program**

Investment advisory asset management fees will be based on the value of assets under management by WEG, as calculated and determined by the custodian, and will vary by the customized program. The amount of the fee will be described in the Investment Advisory Agreement executed by the client at the time the relationship is established. The asset management fee is negotiable and is payable quarterly in advance as outlined in the Investment Advisory Agreement. The initial fee is based upon the opening account value and prorated for the quarter. A client may terminate the Investment Advisory Agreement at any time in writing and receive a pro-rated refund of the investment advisory fees. The investment advisory fee is negotiable based upon the customized program being implemented and the value of the account.

The actual fee charged is agreed upon, disclosed and documented in the Investment Advisory Agreement.

##### **TD Ameritrade Advisor Program**

Investment advisory asset management fees will be based on the value of assets under management by WEG, as calculated and determined by the custodian, and will vary by the customized program. The amount of the fee will be outlined in the Investment Advisory Agreement executed by the client at the time the relationship is established. The asset management fee is negotiable and is payable monthly or quarterly in advance as outlined in the Investment Advisory Agreement. The initial fee is based upon the opening account value and prorated for the quarter. A client may terminate the Investment Advisory Agreement at any time in writing and receive a pro-rated refund of fees. The investment advisory fee is negotiable based upon the customized program being implemented and the value of the account.

The actual fee charged is agreed upon, disclosed and documented in the Investment Advisory Agreement.

### **World Equity Group Administrative Fee**

World Equity Group will receive an administrative fee for the ongoing maintenance, performance reporting and billing of accounts. The administrative fee is included in the Investment Advisory Agreement and charged annually to the client. The WEG Administrative Fee Schedule is as follows:

For asset-based accounts: up to 35 basis points

For transaction-based accounts: up to 15 basis points

WEG reserves the right to negotiate lower administrative fees for larger accounts and unbundle certain fees for services not elected by client.

### **ADHESION MONEY MANAGEMENT PROGRAM**

Investment advisory fees are negotiable. All investment advisory fees are paid quarterly in advance. A client may terminate the Investment Advisory Agreement at any time in writing and receive a pro-rated refund of the investment advisory fees. The Fee Schedule is as follows:

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee</u></b>
\$25,000 to \$250,000	2.50%
\$250,000 to \$1,000,000	2.00%
Over \$1,000,000	1.85%

Complete descriptions of the Adhesion Money Management Program fees and services are included in the ADV Part 2A – Appendix 1 Adhesion Wrap Fee Program Brochure. Your IAR is required to provide the client with a copy of the ADV Part 2A – Appendix 1 disclosure brochure.

For accounts under \$50,000, Adhesion offers an “ETF Select” model which provides the client with access to passive money managers. The Fee Schedule is as follows:

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee</u></b>
\$25,000 to \$50,000	1.5%

### **REPS CHOICE MONEY MANAGEMENT PROGRAM**

Investment advisory asset management fees are negotiable. Investment advisory and asset under management fees (“AUM Fee”), are based on the market value of the client’s portfolio as determined by the custodian at the beginning of the quarter, including cash, and are paid quarterly in advance. A client may terminate the Investment Advisory Agreement at any time in writing and receive a pro-rated refund of the investment advisory fees. The fees, charges and expenses paid by the client include the advisory services of the third-party money managers, transaction execution and custody. Neither WEG or its IARs or the third-party money managers will be compensated on the basis of, or for a share of capital gains or capital appreciation of the account. In addition to the investment advisory fees, the client may also incur other fees, charges and expenses, including (i) ticket charges for any dealer markups or markdowns and odd lot differentials, SEC imposed fees and transfer taxes, (ii) charges imposed by broker/dealers other than WEG, (iii) offering discounts, concessions, commissions and related fees in connection with underwritten public offerings of securities, (iv) margin interest and operational fees and charges, (v) Individual Retirement Account (“IRA”) fees, (vi) any redemption fees, exchange fees or similar fees imposed in connection with mutual fund transactions, and (vii) a proportionate share of any mutual or money market funds’ expenses, including advisory fees paid to the funds’ investment advisors, which are described in the product’s prospectus. The Fee Schedule is as follows:

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee</u></b>
\$25,000 to \$250,000	2.50%
\$250,000 to \$1,000,000	2.15%
Over \$1,000,000	1.85%

A detailed description of the Reps Choice fees, charges and expenses is included in the ADV Part 2A – Appendix 1 Reps Choice Wrap Fee Program Brochure.

### **FEES FOR QUALIFIED RETIREMENT PLANS**

#### ***Retirement Management Systems***

Fees are negotiable. All fees are paid quarterly in advance. A client may terminate the Investment Advisory Agreement at any time in writing and receive a pro-rated refund of fees. The fee schedule is as follows:

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee</u></b>
\$50,000 - \$100,000	2.75%
\$100,001 - \$250,000	2.00%
\$250,001 - \$500,000	1.50%
\$500,001 - \$1,000,000	1.35%
\$1,000,001 - \$3,000,000	1.25%
Over \$3,000,000	1.00%

The account minimum is: \$10,000.

For accounts held as part of a 401(k), 403(b) or other employer sponsored plans, additional fees, charges and expenses may be paid to the plan trustee, plan administrator or plan sponsor. For these types of accounts, the plan fees, charges and expenses are described in the retirement plan disclosure documents.

### **OTHER FEES, CHARGES AND EXPENSES**

All investment advisory fees paid to WEG are separate and distinct from the fees, charges and expenses charged by mutual fund companies, product sponsors, other third-party money managers, broker/dealers and custodians. The fees, charges and expenses are described in each mutual fund company's or product sponsor's prospectus, each investment sponsor's or the third-party money manager's Form ADV Part 2 or ADV Part 2A – Appendix 1, or similar disclosure document. Fees, charges and expenses of the executing broker/dealer or custodian holding the account will be described in detail in the broker/dealer's or custodian's client agreement. Mutual fund company and third-party money manager fees generally include an asset-based management fee, fund expenses, and administrative fees and expenses. Please read the mutual fund company's prospectus for a complete description of fees, charges and expenses.

Certain ETFs pay investment advisory fees to their investment advisors, which may reduce the Net Asset Value ("NAV") of the fund. ETFs also charge fees and expenses for management and administration of the ETF. These expenses may affect the NAV of the ETFs. Please read the prospectus for a complete description of the ETF sponsor's fees, charges and expenses.

### **METHOD OF FEE DEDUCTION**

Most asset management programs charge fees in advance on either a monthly or quarterly basis as outlined in the Investment Advisory Agreement. Accounts may be billed in arrears upon request from the client or portfolio manager at the inception of the Investment Advisory Agreement. The account value of the assets under management at month or quarter end will determine the investment advisory fee.

The initial investment advisory fee can be determined by the value of the account at the close of the opening month or quarter, by the aggregate value of the total invested assets at the time of initial allocation, by an average daily value of the assets during the remaining billing quarter, or by the total value of the account at the inception of the Investment Advisory Agreement. Some employer-sponsored retirement plans, such as 401(k) plans may require that the client be billed directly for advisory services. Invoices for directly billed fees are payable within 30 days of the end of the billing period. A client may terminate the Investment Advisory Agreement at any time by notice to WEG in writing and receive a pro-rated refund of fees.

The client grants WEG and the custodians' authority to rely upon WEG and its IARs to provide instructions to disburse funds from the client's accounts if the custodians in good faith believe such instructions are for: (a) securities trading activity; or (b) the payment of investment advisory fees per the Investment Advisory Agreement. Any other instructions to disburse funds from client accounts must be authorized by the client or other persons authorized by the client to act on behalf of the client. WEG and its IARs do not have the authority to provide any instruction or to disburse funds from the client account.

### **ADDITIONAL COMPENSATION**

As previously stated, nearly all of VSR's Investment Adviser Representatives ("IARs") are also dually registered as Registered Representatives ("RRs") and offer securities through World Equity, Inc., a broker/dealer and a member of the Financial Industry Regulatory Authority ("FINRA"). Most are also licensed as independent insurance agents and they solicit, offer, recommend and sell insurance products in the states in which they conduct business. Therefore, IARs can potentially be acting in all three capacities soliciting, offering, recommending and selling investment products, investment advisory services and/or insurance products to clients. The dual registration as RRs and IARs of WEG and also being licensed as independent insurance agents creates a conflict of interest for WEG and its IARs when they solicit, offer, recommend and sell investment and insurance products for which the client would pay a commission, while also soliciting, offering, recommending and selling investment advisory services and managing the assets in the client's account for an investment advisory fee. Therefore, a conflict of interest exists as the IAR may have an incentive to recommend products based on the compensation received, rather than client's needs. All clients have the option to purchase investment products that WEG recommends through other brokers or agents not affiliated with WEG. WEG does not sponsor or offer any proprietary products.

Third-party advisers, mutual fund companies, insurance companies, and other product sponsors may agree to pay directly or indirectly additional compensation where World Equity Group would receive a direct economic benefit. This additional compensation may include but is not limited to solicitor fees, marketing allowances and support, sponsorship at various WEG conferences, meetings and/or functions. Compensation arrangements will differ with the various third-party advisers, mutual fund companies, insurance companies and other product sponsors that have selling agreements or arrangements with



WEG. Therefore, these compensation arrangements create a conflict of interest, since they may affect the independent judgment of WEG or its IARs when recommending certain investment advisory programs or products over others. However, WEG and its IARs have a fiduciary responsibility to act in the best interests of our clients when recommending investment and insurance products.

WEG and its IAR when acting in the capacity of a Registered Representative (“RRs”) soliciting, offering, recommending and selling commission-based investment products will receive commissions from the execution of securities transactions. WEG and its IARs also may receive commissions from the sale of fixed insurance products solicited, offered, recommended and sold by the IARs when they are acting in the capacity as an insurance producer. The fact that WEG, and its IARs may receive commissions for certain securities or insurance products they recommend creates a potential conflict of interest, since that may affect the independent judgment of WEG or its IAR when recommending one securities or insurance product over another product. However, WEG and its IARs have a fiduciary responsibility to act in the best interests of our clients when recommending investment and insurance products.

Clients who invest in mutual funds or other registered investment companies are advised that such the mutual fund companies may pay investment advisory and/or management fees to investment advisers, broker/dealers and others, and also may pay marketing expenses or allowances or service fees, including 12b-1 fees to WEG. These marketing and service fees are costs to the client, and are in addition to the investment advisory fees paid to WEG under the Investment Advisory Agreement.

IARs may solicit, offer, recommend and sell securities to any client for commissions when acting in their capacity as a Registered Representative. This creates a conflict of interest since WEG and the RR may also receive investment advisory fees for recommendations made as an IAR.

Clients are under no obligation to accept or implement the IAR’s recommendations and may use any other broker/dealer or insurance agent to implement such recommendations.

### **Business Continuity Plan**

WEG has established a Business Continuity Plan (“BCP”). The BCP describes how WEG would respond to significant business disruptions and provide investors with alternative contact information and access in the event of a significant business disruption. The BCP may be found at [www.worldequitygroup.com](http://www.worldequitygroup.com). It is also available upon written request.

# ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

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## PERFORMANCE-BASED FEES

WEG does not participate in any investment advisory programs that charge performance-based fees or pricing nor does WEG permit its IARs to enter into performance-based fee arrangements or pricing with their clients.

Many IARs also manage commission-based brokerage accounts for their clients. The client's investment objectives and risk tolerance in a commission brokerage account may be different than those in the client's investment advisory asset management accounts. Additionally, clients in commission brokerage accounts may receive an execution price that may be higher or lower than the execution price in an investment advisory account.

# ITEM 7 - TYPES OF CLIENTS

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WEG generally provides investment advice to individuals and small businesses, but also may provide investment advice to pension and/or profit-sharing plans, trusts, estates, charitable organizations, and corporations. Account minimums and size vary depending on the investment advisory asset management program selected. WEG typically has minimum account size requirements between \$25,000 and \$100,000. However, depending on the asset management program, the money manager may at its discretion accept accounts below the minimum required account size.

# ITEM 8 -METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

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## METHODS OF ANALYSIS

IARs use a variety of methods to analyze a client's situation as well as economic factors to develop investment advice and recommendations. IARs may use one or more of the following methods of analysis to formulate investment advice or manage the client's account:

**Charting** - In this type of technical analysis, the IAR reviews charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

**Fundamental Analysis** – IARs evaluate economic and financial factors to determine if a security may be underpriced, overpriced or fairly priced. Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis** - IARs analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Cyclical Analysis** – In this type of technical analysis, IARs measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

**Quantitative Analysis** - IARs use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

**Qualitative Analysis** – IARs subjectively evaluate non-quantifiable factors and attempt to potentially predict changes to share price based on that data.

**Asset Allocation** – IARs attempt to identify an appropriate ratio of asset classes that are consistent with the client's investment objectives and risk tolerance.

**Mutual Fund and/or ETF Analysis** – IARs evaluate a variety of factors in an attempt to potentially predict the future performance of the mutual fund or ETF. The IAR may consider the experience, expertise, investment philosophy, strategy and past performance to determine if a manager has demonstrated the ability to invest over a period of time and in different market conditions. The IAR may monitor the manager's underlying holdings, strategies and concentrations. A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

**Third-Party Money Manager Analysis** - WEG examines the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. WEG may monitor the manager's underlying holdings, strategies, concentrations and the due-diligence process and survey the manager's compliance and business enterprise risks. A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as WEG does not control the manager's daily business and compliance operations, WEG may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

Recommendations will be based on the information provided by the client, the IARs discussions with the client, the IARs analysis of the client's financial situation, investment objectives and risk tolerance and general economic or tax considerations. If the client's personal, financial situation,

investment objectives or risk tolerance change they are advised to promptly notify their IAR. Clients should discuss with their IAR the methods of analysis and strategies used by the IAR.

### **RISKS OF VARIOUS METHODS OF ANALYSIS**

There are risks inherent in each type of analysis described above. For example, a risk of any method of analysis that considers the past performance of investments for future performance is that past performance does not guarantee future results. Some methods of analysis, such as fundamental analysis focus on identifying the value of the company without considering external factors, such as market movements. Failure to consider external factors presents a potential risk, as the price of a security may be impacted by the overall market, regardless of the economic and financial factors considered in evaluating the specific risk. Other methods of analysis, such as technical analysis evaluate external factors, but do not consider the underlying financial condition of the company. Failure to consider a company's underlying value presents a risk that a poorly managed or financially unsound company may under-perform regardless of positive market movements.

A risk of investing with a third-party money manager who has been successful in the past is that the manager may not be able to replicate that success in the future. Therefore, any method of analysis is not proven to work in all market conditions. All investments and investment strategies involve various risks, and there is no guarantee that any investment or investment strategy will meet its objective(s). Investing in the financial markets always involves the possible risk of loss of principal.

### **INVESTMENT STRATEGIES AND RISK**

All investment strategies involve risk. There is no assurance that a positive return will be obtained in any managed investment account program. Neither WEG, its IARs or money managers guarantee the performance of the account, or promise any specific level of performance, or promise that investment decisions, strategies or overall management of the account will be successful. Any investment decisions portfolio managers may make for clients are subject to various market, currency, economic, political, interest rate and business risks, will not necessarily be profitable, and are subject to investment risk, including possible loss of principal.

## ITEM 9 - DISCIPLINARY INFORMATION

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On August 23, 2018, World Equity Group signed a letter of Acceptance, Waiver and Consent (“AWC”) with FINRA agreeing to a \$100,000 fine and was ordered to pay restitution in the amount of not less \$380,000 to customers who purchased L-share class variable annuity contracts with long-term income riders from the period of June 1, 2013 through May 31, 2018. Additionally, from the period of April 2013 through March of 2017, the firm failed to establish, maintain and enforce a supervisory system and written supervisory procedures reasonably designed to ensure that representatives’ recommendation of variable annuities complied with applicable securities laws and regulations and FINRA rules.

On March 1, 2017, World Equity Group signed a letter of Acceptance, Waiver and Consent (“AWC”) with FINRA and was censured and fined \$15,000 for failing to report 83 TRACE Eligible corporate debt securities transaction within the time frame required by FINRA Rule 6730.

On April 25, 2016, World Equity Group signed a letter of Acceptance, Waiver and Consent (“AWC”) with FINRA and was censured and fined \$50,000. WEG failed to establish and maintain a supervisory program designed to identify and prevent potentially unsuitable excessive trading of equity securities.

On February 3, 2015, World Equity Group signed a letter of Acceptance, Waiver and Consent with FINRA and was censured and fined \$225,000. WEG failed to implement a reasonably designed supervisory procedures regarding Anti-Money Laundering (“AML”), email retention, customer due diligence, trading non-traditional Exchange Traded Funds (“ETFs”), private placement due diligence, non-traded Real Estate Investment Trusts (“REITs”) due diligence, and house account supervision.

On September 25, 2014, World Equity Group signed a letter of Acceptance, Waiver and Consent (“AWC”) with FINRA and censured and fined \$7,500 for failing to report transactions in the Trade Reporting and Compliance Engine (“TRACE”) for Eligible Securitized Products to TRACE within the time period required by Rule 6730.

On December 12, 2011, World Equity Group signed a letter of Acceptance, Waiver and Consent (“AWC”) with FINRA and was censured and fined \$15,000. For failing to transmit all of its reportable order events to the Order Audit Trail System (“OATS”) for more than a year. The firm did not qualify for exclusion from the OATS reporting requirements because it routed its orders through more than a single reporting member.

On December 13, 2011, World Equity Group and Mr. Richard Babjak, President and an owner of WEG, signed a letter of Acceptance, Waiver and Consent (“AWC”) where the firm and Mr. Babjak were fined and censured \$50,000 jointly and severally. The AWC alleged specific deficiencies in regard to the supervision of advertisements, communications with the public, licensing and registration occurring between December 2007 and November 2008 and involved the supervision of advertising activities of one representative relative to non-securities insurance products. The AWC was signed to settle the alleged rules violations and was consented to without admitting or denying the findings. WEG and Mr. Babjak were censured and fined jointly and severally. WEG and Mr. Babjak worked cooperatively and proactively with FINRA in connection with the issues and the AWC.

On November 22, 2006, the National Association of Securities Dealers (“NASD”) alleged that Mark Lishchynsky failed to ensure that his previous member firm’s offsite FINOP was aware of at least \$31,602.11 worth of liabilities and that the liabilities were properly recorded on the firm’s books and records in violation of NASD Rule 2110. Without admitting or denying the findings, Mr. Lishchynsky consented to the described sanction and to the entry of findings and was fined \$5,000. Subsequently, Mr. Lishchynsky was late with the final payment of the monetary fine and as a result, his license was revoked until final payment was made. The revocation occurred on June 16, 2009, and was lifted on June 19, 2009.

Additional disciplinary information about the above items can be found on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for WEG is 29087.

## **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS**

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### **Financial Industry Activities**

In addition to World Equity Group, Inc. (“WEG”) being registered as a Registered Investment Adviser with the SEC, WEG is also registered as a broker/dealer with the Financial Industry Regulatory Authority (“FINRA”). As stated previously, on November 1, 2018, the principal owners of World Equity Group, Inc. entered into a purchase agreement with Wentworth Management Services, LLC. The transaction is expected to receive regulatory approval in the second quarter of 2019.

### **Affiliations**

Investment Adviser Representatives (“IARs”) of WEG are separately licensed as registered representatives of WEG. They are also licensed insurance agents representing various insurance companies. As such, IARs are able to receive separate, yet customary commission compensation resulting from implementing securities and insurance product transactions on behalf of investment advisory clients. The clients are not under any obligation to engage the IAR when considering whether to implement any investment advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

While WEG and its IARs endeavor at all times to put the interest of the clients first as part of our fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of IARs when making recommendations.

### **Other Outside Business Activities**

Some IARs own or are affiliated with other independent Registered Investment Adviser (“RIA”) firms. These RIA firms are not affiliated with WEG and their activities of are not supervised by WEG. Typically, IARs that own or are affiliated with an independent RIA may only offer and provide fee based financial planning services through the RIA.

Fees for financial planning services provided by the IAR through their own independent RIA are separate and distinct from any fees paid to WEG in their capacity as an IAR of WEG.

Clients that engage an IAR through an independent RIA firm will receive a copy of that firm's disclosure documents and execute a Financial Planning Client agreement specifying the financial planning services to be provided and fees to be charged by the independent RIA.

Certain IARs may have other business activities and offer services, such as tax preparation, accounting, legal, real estate, employee benefits consulting, or other businesses, that are outside business activities from their registration as an IAR of WEG. WEG does not supervise or receive compensation from these other outside business activities. IARs engaging in these other outside business activities do so independently of their registration with WEG.

## **ITEM 11 - CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS & PERSONAL TRADING**

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In accordance with SEC Rule 204a-1 of the Investment Advisers Act of 1940, WEG has adopted, maintains and enforces a Code of Ethics. The Code of Ethics contains requirements regarding employee compliance with all laws, rules and regulations, and it contains provisions for reporting violations of the Code to the firm's Chief Compliance Officer.

WEG's Code of Ethics that includes a Personal Trading Policy, which will apply to all of our employees and IARs. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures. Upon employment or affiliation and at least annually thereafter, all supervised persons will acknowledge that they have read, understand and agree to comply with WEG's Code of Ethics.

In compliance with the Insider Trading and Securities Fraud Enforcement Act of 1988 ("ITSFEA"), WEG has established, and will maintain and enforce, written policies reasonably designed to prevent the misuse of material, nonpublic information by us or any person associated with us. In consideration of and in compliance with ITSFEA, we will forbid any officer or employee, either personally or on behalf of others, to trade on material, nonpublic information or to communicate such information to others in violation of the law.

An investment adviser is considered a fiduciary according to the Investment Advisers Act of 1940. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. WEG, its employees, and its IARs have a fiduciary duty to all advisory clients. To assist our employees and IARs in meeting these obligations, WEG has adopted standards of business conduct that are outlined in our Code of Ethics. WEG requires all of its supervised persons to conduct business with integrity and to comply with all federal and state securities laws at all times.

## **Participation or Interest in Client Transactions**

There may be instances where an IAR will recommend to investment advisory clients or prospective clients the purchase or sale of securities in which WEG, its affiliates, the IAR and/or other clients may have a position or interest.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis. Generally, in such circumstances the affiliated and client accounts will share execution costs equally and receive a total average price. WEG will retain records of the trade order specifying each participating account and its allocation. Completed trade orders will be allocated according to the instructions from the initial trade order. Partially filled trade orders will be allocated on a pro-rata basis. Any exceptions will be explained on the trade order. Additional information on WEG's trade aggregation policies can be found in Item 12.

## **Personal Trading**

Subject to WEG's Code of Ethics and applicable securities laws, the employees and IARs of WEG and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased by WEG's clients. The Code of Ethics is designed to assure that the personal securities transactions of the employees and IAR of WEG will not interfere with (i) making recommendations and decisions in the best interest of investment advisory clients and (ii) when implementing such decisions allowing employees to invest for their own accounts.

WEG and the IARs may or may not maintain investment positions in their personal portfolios that are recommended to clients. In fact, WEG and the IARs may take positions or execute transactions for their personal accounts which are materially different than the positions or transactions recommended for their clients. Employees and IARs are expected to purchase or sell a security for their personal accounts only after trading of that same security has been executed in customer accounts.

The Code of Ethics requires pre-clearance of certain transactions and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity in clients' accounts with a security also held by an employee. Therefore, a potential conflict of interest exists when WEG and its IARs purchase and sell the same securities owned by our clients. Trading activity of IARs and employees is reviewed and monitored under the Code of Ethics to help reasonably prevent this conflict of interest in trading between WEG and its clients.

To receive a copy of the firm's Code of Ethics, please make a written request to your IAR, contact WEG toll free at 800-765-5004, or email [compliance@weg1.com](mailto:compliance@weg1.com).



# ITEM 12 - BROKERAGE PRACTICES

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## DIRECTED BROKERAGE

For accounts managed by WEG, it is required that such accounts be custodied at Pershing, RBC Capital Markets or TD Ameritrade, depending on the investment management program selected. Not all advisors require their clients to use these direct brokerage arrangements. In selecting custodial brokers for execution or recommendation to customers, WEG considers the full range and quality of services, including the value of research provided, execution capability, commission rate, financial responsibility and responsiveness to WEG in order to obtain the best execution for the client. WEG periodically evaluates the custodial broker/dealers it selects or recommends for clients. However, by directing brokerage to these firms, WEG may not be able to obtain the most favorable execution of client transactions, and this practice may cost clients more money.

## RESEARCH AND OTHER BENEFITS

The custodians used by WEG may make available other products and services that benefit WEG, but may not directly benefit you or your account. These products and services assist WEG and the IAR in managing and administering your account. These include investment research, access to client account data (such as duplicate trade confirmations and account statements), facilitation of trade execution, allocation of aggregated trade orders for multiple client accounts, pricing and other market data, facilitation of payment of our fees from clients' accounts, assistance with back-office functions, recordkeeping, and client reporting.

Some services help WEG manage and further develop its business operations. These services include publications, educational conferences and events, and consulting on technology, compliance, legal, and other business needs.

## CLEARING FIRMS AND CUSTODIANS

WEG does not maintain custody of client assets, because the firm does not have authority to withdraw assets from client accounts to pay investment advisory fees and does not charge more than \$1,200 six months or more in advance. Your assets will be maintained in an account at one of WEG's clearing firms, RBC or Pershing or the third-party custodian TD Ameritrade.

The clearing firms or custodians will hold your assets and buy and sell securities when instructed to do so. You will enter into an account agreement directly with the clearing firm or custodian. If you use a third-party money manager, they may have arrangements with a different custodian. The client agreement for that third-party manager will disclose the custodial arrangements.

## SELECTION OF BROKER/DEALERS AND CUSTODIANS

Clients are free to select and implement investment recommendations with any broker-dealer and/or custodian of their choice. When clients decide to implement investment advice through a WEG IAR, the client will be required to establish an investment advisory account through a clearing firm or custodian approved by WEG. WEG allows its IARs to manage accounts through RBC, Pershing or TD Ameritrade, but may permit other custodians. The custodians approved by WEG have affiliated broker/dealer(s) that are registered with the SEC and are also members of FINRA and SIPC.

As previously stated, WEG IARs may also be Registered Representatives of World Equity Group, Inc. These dually registered WEG IARs are restricted from maintaining client accounts at or executing client transactions in such client accounts through any broker/dealer or custodian that is not approved by WEG. It should be noted that not all RIAs require their clients to use specific broker-dealers and/or other custodians required by the RIA. The fees charged by other broker-dealers may be higher or lower than those charged by WEG.

WEG may act as an introducing broker for transactions in some accounts and will be paid a portion of the ticket charge and/or commission for each transaction executed in the client's accounts. Clients pay a ticket charge for each transaction that WEG is charged by the clearing firm. WEG does retain a portion of this ticket charge. This compensation received by WEG is not shared with the IAR providing investment advisory services to clients. The receipt of a portion of the ticket charge may represent a conflict of interest.

### **BROKERAGE AND CUSTODY COSTS**

The custodians generally do not have a separate charge for custodial services, but the custodians are compensated by charging you commissions or other fees, charges and expenses on transactions executed in your account. These fees are in addition to the commissions or other compensation you pay the executing broker/dealer.

WEG or its IAR do not have the discretion to determine the broker/dealer to be used or the commission rates to be paid. However, IARs will usually recommend that the client use the brokerage services of WEG and one of our primary clearing firms or custodians as noted previously.

IARs do not negotiate commission rates with our clearing firms. Clients will pay the usual and customary brokerage commission rates charged by the designated broker/dealer unless discounted by the IAR. The decision to discount the commissions on any particular transaction will be made on a case by case basis by the IAR unless agreed otherwise in the Investment Advisory Agreement. Insurance transactions may be executed through agencies or companies not affiliated with WEG and will be charged commissions rates set by such agencies or companies.

WEG and the IAR do not represent that the commissions or other amounts charged by WEG, any other clearing firm or any insurance agency or company are the same as or lower than commission rates charged by other broker/dealers or insurance companies. The commissions or other amounts charged by the clearing firms or insurance agency may be higher than those available from other clearing firms or insurance agencies. However, the client may choose to implement securities or insurance transactions through other clearing firms or insurance agents.

### **TRADE AGGREGATION**

Transactions implemented for client accounts are generally executed separately, unless an IAR decides to purchase or sell the same securities for several clients at the same time. This process is referred to as aggregating orders, batch trading, or block trading. When aggregating client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution or to avoid differences in various transaction costs than might be obtained when orders are placed separately. Under this procedure, transactions will be averaged as to price and will be allocated among the IAR's clients in proportion to the purchase and sale orders placed for each client account on any given day.

WEG does not permit its IARs to receive any additional compensation or remuneration as a result of aggregation. See the Participation in Client Transactions section of Item 11 for a description of WEG's policies regarding trade aggregation with affiliated accounts.

### **BEST EXECUTION**

WEG owes a fiduciary duty to its clients to obtain best execution of their transactions. That duty puts forth that an Investment Adviser generally must execute securities transactions in such a manner that the total cost or proceeds in each transaction is the most favorable under the circumstances. However, clients should understand that best execution does not necessarily mean receiving the lowest available price. Trades are periodically reviewed in order to evaluate the execution services provided by the clearing firms and/or the unaffiliated broker/dealers and custodians used by WEG.

Clients should consider that based on the clearing firms and/or custodians approved and used by WEG that clients may pay higher commissions or trade execution charges through these clearing firms and/or custodians than through other broker/dealers and/or custodians.

When an account is being managed by a third-party adviser, WEG is not able to change the costs of execution charged by the custodian that holds the account or the quality of the execution services provided by the clearing firm used. Clients must address concerns or questions regarding the costs or quality of execution services to the clearing firm which holds the account, or the third-party adviser who manages the account.

### **TRADE ERRORS**

On infrequent occasions, an error may be made in a client's account. For example, a security may be erroneously purchased for a client account instead of sold. In these situations, WEG generally seeks to correct the error by placing the client account in a similar position as it would have been had there been no error.

Depending on the circumstances, corrective steps may be taken, including but not limited to, cancelling the trade, adjusting an allocation, and/or crediting the customer's account. In the event the trading error results in an erroneous profit, the erroneous profit is not allocated to the client, but retained by WEG.

### **AGENCY CROSS & PRINCIPAL TRANSACTIONS**

An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the investment advisory customer and for another person on the other side of the transaction (SEC Rule 206(3)-2). Agency cross transactions typically may arise where an investment adviser is dually registered as a broker/dealer or has an affiliated broker/dealer. It is WEG's policy not to engage in agency cross transactions with investment advisory customers.

A principal transaction is defined as a transaction where an adviser, acting as principal for its own account or the account of an affiliated broker/dealer buys from or sells any security to any investment advisory customer. WEG may execute riskless principal transactions with investment advisory clients meaning that WEG purchases the security from another broker/dealer into its principal trading account while simultaneously selling the security to the customer.

WEG's policy prohibits any allocation of trades in a manner such that any particular customers or group of customers receive more favorable treatment than other customer accounts.

### **UNAFFILIATED THIRD-PARTY CUSTODIANS**

WEG may recommend or require that clients establish investment advisory accounts with unaffiliated third-party custodians and/or broker-dealers ("custodians"), including but not limited to RBC, Pershing, and TD Ameritrade to maintain custody of clients' assets and to effect trades for their accounts. The final decision to custody assets with any custodian is at the discretion of the client, including those accounts covered under ERISA or Internal Revenue Service ("IRS") rules governing Individual Retirement Accounts ("IRAs"). Custodians provide WEG with access to its institutional trading and custody services, which are typically not available to retail commission brokerage clients.

Custodians WEG has agreements with offer brokerage services, execution, custody, research, analyses and reports, and access to mutual funds and other investments that otherwise generally available would only be made available to institutional investors.

For WEG client accounts, the custodians generally do not charge separately for their custody services, but they are compensated by account owners through commissions and/or or other transaction-related or asset-based fees for securities trades that are executed through the custodian.

Custodians may also make available to WEG other products and services that benefit WEG, but may not benefit the client. These benefits may include national, regional or WEG specific educational events organized and/or sponsored by the custodians. Other potential benefits may include occasional business entertainment of personnel of WEG by the custodians, including meals, invitations to sporting events, and other forms of entertainment, some of which may accompany educational opportunities.

Additional products and services offered through Custodians assist WEG in managing and administering its clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of WEG's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of WEG's accounts, including accounts not maintained at custodians. Custodians also make available to WEG other services intended to help WEG manage and further develop its business. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, insurance, and marketing. In addition, custodians may make available, arrange and/or pay vendors for these types of services rendered to WEG by independent third parties.

Custodians may also discount or waive fees they would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to WEG. As a fiduciary, WEG endeavors to act in its clients' best interests. WEG's recommendation or requirement that clients maintain their assets in accounts at Custodians may be based in part on the benefit to WEG of the availability of some of the foregoing products and services and other arrangements and not solely on

the nature, cost or quality of custody and brokerage services provided by the custodians. Offering these additional services through custodians may create a potential conflict of interest to WEG's clients.

#### **SOFT DOLLARS ARRANGEMENTS**

WEG does not at the present time accept soft dollars arrangements with or through other broker/dealer or financial institutions.

## **ITEM 13 - REVIEW OF ACCOUNTS**

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#### **FREQUENCY AND NATURE OF REVIEWS**

IARs are responsible for providing investment advice and conducting reviews on their client accounts on a regular basis. IARs have a fiduciary responsibility and are required to review accounts at least annually with the client through an Annual Client Contact Meeting. Most IARs conduct reviews with clients on a quarterly or monthly basis. The reviews are designed to ensure that the investments and investment strategy employed remains consistent with the client's investment objectives and financial situation as provided by the client.

#### **REPORTS PROVIDED TO CLIENTS**

Clients receive a quarterly performance report. Additional reports may be provided depending on the investment advisory program and at the request of the client. Performance reports are not account statements. All account statements are sent to the client directly from the custodian. Clients should be aware that only the statements received from the custodian should be relied upon for any balance or securities positions.

#### **ACCOUNT STATEMENTS**

Unless noted otherwise in the Investment Advisory Agreement, statements of the client's account will be sent by the custodian that holds the client's account at such times as is provided in the client's account agreement with such custodian. Statements are sent usually no less than quarterly unless there is activity in the client's account, in which case they will be sent monthly by the custodian. Clients who have engaged a third-party adviser will receive reports from the third-party adviser as outlined in the third-party money manager's client agreement and disclosure documents. Clients should carefully review these reports and contact the custodian or their IAR if they have any questions.

# **ITEM 14 - CLIENT REFERRALS & OTHER COMPENSATION**

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## **SOLICITATION ARRANGEMENTS**

In addition to the above programs and services, WEG also may act as a solicitor for other non-affiliated RIAs. WEG receives a portion of investment advisory fees paid by a client for soliciting the client to those RIAs. Terms of the solicitor arrangements are disclosed in a solicitor's disclosure statement provided to each client in advance.

World Equity Group through Compass Asset Management, has entered into Solicitor's arrangements with various non-affiliated WEG entities or parties, where WEG will be referred certain clients for the purpose of rendering investment advisory services to these clients. WEG pays a solicitor's fee to those entities or parties as permitted under SEC Rule 206.

# **ITEM 15 - CUSTODY CLIENT FUNDS & SECURITIES**

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Under the Investment Advisers Act, an Adviser is deemed to have custody of clients' assets if the client authorizes the Adviser to deduct investment advisory fees or other expenses directly from the client's account. Since the terms of the Investment Advisory Agreement permit WEG to deduct investment advisory fees or the expenses directly from clients' accounts, WEG is deemed to have custody of clients' assets. However, WEG and its IARs are not permitted to and do not accept cash, accept or hold clients' physical securities certificates and WEG does not hold funds and has no authority to obtain possession of funds either directly or indirectly for any of its clients.

Payment for the purchase of securities or to fund an account always must be made payable directly to the custodian of the account only. The custodian for a WEG client account will never be WEG or its IAR. Clients should be aware that IARs are prohibited from accepting a check or any other form of payment for any WEG related fee or service that is made payable directly to the IAR or any business that is owned or controlled by the IAR.

Clients receive monthly or quarterly statements, as well as trade confirmations, directly from the custodian. The custodian used will vary depending on the investment advisory management program. Typically, the Adhesion Management Program accounts are held at TD Ameritrade and Compass Asset Management accounts are held at RBC Capital Markets. Customized programs are held at RBC Capital Markets and Pershing.

# **ITEM 16 - INVESTMENT DISCRETION**

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WEG and its IARs may execute securities transactions on a discretionary basis. Prior to executing any discretionary authority to execute transactions, WEG will obtain written consent from the client to execute transactions in this manner. Written consent will be obtained as part of the Investment Advisory Agreement executed by the client. If written discretionary authority is not obtained, no transactions will

be executed in a client's account without obtaining specific client consent regarding the securities to be purchased or sold.

Discretionary authority gives the IAR the authority to determine which investments should be purchased or sold in the account and the time and the price at which they will be purchased or sold. However, the IAR will never have the authority to withdraw funds from the account or change the address of record of the account.

WEG may establish relationships with various third-party investment advisers. These third-party advisers may require that they have investment discretion over the client's account. The terms of the relationship between the client and the third-party adviser will be described in the third-party adviser's disclosure document and agreement with the client. The third-party money manager will not have the authority to change the address of record of the account or to withdraw funds from the account, other than to pay the agreed upon investment advisory fees to WEG.

## **ITEM 17 - VOTING CLIENT SECURITIES**

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WEG does not vote proxies on behalf of its clients. It is the responsibility of the client to vote all proxies for securities held in the investment advisory management account. All proxy materials received by WEG on behalf of a client will be sent directly to the client or a representative that has been previously designated by the client to be responsible for voting proxies. IARs may answer customer questions regarding proxy voting materials in an effort to assist the client in determining how to vote the proxy; however, the final decision of how to vote the proxy is the responsibility of the client.

Third-party investment advisers may have their own policies regarding proxy voting. Clients are advised to review the policies of their third-party adviser to determine their proxy voting policy.

With respect to the Adhesion Wrap Account Program, the client is responsible for all proxies unless the selected money manager's policy is to vote proxies. Should a selected money manager elect to vote proxies, the money manager will instruct the custodian to forward to the money manager copies of all proxies and shareholder communications relating to the assets. Information regarding the money manager's proxy voting policies is available in each money manager's Form ADV Part 2 disclosure brochure.

## **ITEM 18 - FINANCIAL INFORMATION**

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This item is not applicable to WEG's Disclosure Brochure. WEG does not require or solicit prepayment of more than \$1,200 in investment advisory fees per client, six months or more in advance. Therefore, WEG is not required to include a balance sheet for its most recent fiscal year. WEG is not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients, nor has VSR been the subject of a bankruptcy petition at any time.