



Where Relationships Are the Difference

FORM ADV PART 2 BROCHURE

WORLD EQUITY GROUP, INC.

1650 N. ARLINGTON HEIGHTS ROAD
SUITE 100
ARLINGTON HEIGHTS, IL 60004

FIRM CRD/ IARD # 29087
SEC FILE # 801-56328

847-342-1700 (PHONE)
847-342-5056 (FAX)

WWW.WORLDEQUITYGROUP.COM
COMPLIANCE@WEG1.COM

This brochure provides information about the qualifications and business practices of World Equity Group. If you have any questions about the contents of this brochure, please contact us at compliance@weg1.com. 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 is also available on the SEC's website at www.adviserinfo.sec.gov.

DATED
MARCH 27, 2012

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.



MATERIAL CHANGES

The SEC adopted “Amendments to Form ADV” in July, 2010. This firm brochure is the disclosure document prepared according to the SEC’s new requirement and rules. This section titled “Material Changes” is used to provide our clients with a summary of any new or updated information. We will inform you of the revisions based on the nature of the changes.

This section only describes any material changes made to this brochure since the last annual update. The last update to this brochure was completed on March 31, 2011.

SEC Rule 204-3(b)(2) allows a summary page be provided in the event material changes are made to this brochure. If you receive a summary page of material changes and would like to obtain a current copy of the entire brochure, please contact either World Equity Group or your Investment Advisor Representative for a complete copy.

The material change to this brochure involves a Financial Industry Regulatory Authority (FINRA) Enforcement Action (Action) against World Equity Group, Inc. (WEG) and its President, Richard Babjak. The FINRA Action 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. In November 2011, following significant enhancement of its supervisory and compliance infrastructures, WEG and Mr. Babjak entered into an Acceptance, Waiver and Consent (AWC) to settle the Action by consent. Neither WEG nor Mr. Babjak admitted any wrongdoing in the AWC. Under the AWC, WEG and Mr. Babjak agreed to a written “censure” and a joint and several fine. WEG and Mr. Babjak worked cooperatively and proactively with FINRA in connection with the issues and the AWC. The allegations applied only to the supervision of the firm and there has not been a complaint of any type from any of Mr. Babjak’s clients regarding his financial planning or investment advisory practice.

Additional information can be found under the disciplinary information section of this brochure.



TABLE OF CONTENTS

ADVISORY BUSINESS.....	4
FEES AND COMPENSATION.....	9
TYPES OF CLIENTS	13
METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	13
DISCIPLINARY INFORMATION	14
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	14
CODE OF ETHICS AND PERSONAL TRADING.....	15
BROKERAGE PRACTICES	15
REVIEW OF ACCOUNTS.....	16
CLIENT REFERRALS AND OTHER COMPENSATION.....	16
CUSTODY OF CLIENT FUNDS AND SECURITIES.....	17
INVESTMENT DISCRETION	17
VOTING CLIENT SECURITIES	17
FINANCIAL INFORMATION	18
ADDITIONAL INFORMATION.....	18

ADVISORY BUSINESS

ABOUT US

World Equity Group (WEG), founded in 1993, is a registered investment advisor¹ whose focus is to assist clients and their families, business entities, non-profits and other financial institutions with investment planning and management. WEG provides a variety of investment management services including actively managed equity and bond market participation programs, asset allocation programs, customized programs and financial planning services. WEG is owned and controlled by two principal owners.

Richard Steven Babjak, born in 1963, is the President of World Equity Group, Inc. and is an investment advisor representative and registered representative. In addition, he is the firm's Secretary/Treasurer. He has been with the firm 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 is FINRA Series 4, 6, 7, 22, 24, 27, 53, 63, and 65 licensed. Rich holds the Professional Designations of ChFC, CLU, CFS and RFC.

Robert Daniel Yarosz, born in 1952, is the President of Compass Asset Management as well as an investment advisor representative and registered representative with the firm. He has been with the firm since September of 1997. Mr. Yarosz received his BS degree from Edinboro University in 1975. He is FINRA Series 6, 7, 22, 24, 63, and 65 licensed. 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.

Descriptions of the above referenced professional designations can be found in the additional information section of this brochure.

SERVICES WE OFFER

World Equity Group offers the management of investment advisory accounts, investment supervisory services, financial planning and financial consulting services. Investment management programs include both individually customized accounts and separately managed account programs.

Advisory services are provided for accounts opened at WEG, with assets held in custody at RBC Capital Markets, Pershing, LLC, or TD Ameritrade. Wrap-fee programs are more fully described in a Schedule H prepared by WEG or program sponsor. World Equity Group and the investment advisory representative who recommends programs receive compensation as a result of a client's participation in the program. The compensation paid to World Equity Group with respect to those programs may vary depending on the program. Therefore, World Equity Group or the representative may have a financial incentive to recommend a program that provides greater compensation to World Equity Group or the representative over other programs and services. Detailed descriptions of each plan are described below.

Please refer to the Fees and Compensation Section for costs associated with each plan.

¹ The term "registered investment advisor" is not intended to imply that World Equity Group, Inc. has attained a certain level of skill or training. It is used strictly to reference the fact that we are "Registered" as an "Investment Advisor" with the United States Securities & Exchange Commission – and with such other regulatory agencies that may have limited regulatory jurisdiction over our business practices.

COMPASS ASSET MANAGEMENT

Compass Asset Management is a separately managed account program sponsored by WEG. Pursuant to the program, an investment advisory representative (IAR) associated with WEG assists clients with selecting a portfolio model based on the completion of a risk, personal and financial data profile provided by the client. Depending upon the client's investment objectives, goals, risk levels and other factors, the IAR selects with the client a program model appropriate for that client's objectives. WEG officers manage the models on a discretionary basis. There are three models designed for accounts over \$100,000 that include individual stocks, ETFs, bonds, UITs and may include mutual funds. There are three models designed for accounts under \$100,000 that do not include individual stocks, and two models designed to manage products such as variable annuities and qualified plans offered through various third party plan administrators and their selected custodians. The investment selections for variable annuities and qualified plans are limited to the choices offered through each specific plan. Assets are not required to be invested in any particular asset class. Compass Program models apply proprietary filtering processes that evaluate market risk, asset class risk, sector risk and individual security risk using a variety of technical indicators.

The models available under the Compass Asset Management program are Growth, Moderate and Conservative. The asset allocations percentages will vary for each program with the maximum standard allocation percentages being:

The Growth Model:	85% equities 15% fixed income.
The Moderate Model:	70% equities and 30% fixed income.
The Conservative Model:	50% equities and 50% fixed income.

These allocation percentages can fluctuate based on market conditions and other investment analysis.

RETIREMENT BODYGUARD

TactiCal Assignment-Hedged Appreciation is a tactical portfolio which seeks to achieve steady returns while limiting the effects of large market swings. Investments are in individual equities, exchange traded funds and money market funds. ETFs are used for sector, country and fixed income exposure, and inverse ETFs are used to carry out hedging strategies of the portfolio. Focused on the long term, the objective is to minimize the volatility on the downside, while still having the capability to capture upside returns. Four distinctly separate components are strategically combined to take advantage of current market conditions in a risk appropriate fashion. Those four components of the model are: Long/Short Equity, Managed Fixed Income, Alternatives and Trend Capturing. When used together these tools are designed to provide focused diversification and act as a volatility dampener. This model is built with the objective of having capital preservation characteristics during bear markets, while offering capital growth during bull markets. This is not a short-biased model, but does have the ability to become close to market neutral with the aim of protecting against adverse economic conditions.

CUSTOMIZED ASSET MANAGEMENT PROGRAMS AND INDIVIDUALLY MANAGED PROGRAMS

WEG offers asset management services to clients through customized programs. In such customized programs, clients may authorize WEG IARs to purchase and sell mutual funds, exchange traded funds, equities, fixed income securities and other securities authorized by WEG on a discretionary or non-discretionary basis pursuant to investment objectives chosen by the client.

In opening a customized program account, the IAR obtains the necessary financial data from the client, assists the client in determining the suitability of asset management and assists the client in setting the appropriate investment objective.

The details of the account relationship will be stated in the client agreement for any customized program account, which typically includes the use of an investment policy statement or 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 supplementary advisory and client related services provided.

RBC Advisor Program

The RBC Advisor Program is a program, whereby an investment advisory representative associated with WEG manages an account opened at WEG and held in custody at RBC Capital Markets. The advisory representative makes recommendations for investments in no-load mutual funds, load waived mutual funds, equities and fixed income securities. For clients investing solely in open-end mutual funds, when the actual allocation among the mutual funds in a client account vary from the 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, instead, (iii) to assume responsibility for advising their advisory representative when the client determines rebalancing should occur.

The minimum initial investment for the program is negotiated individually with each client. Accounts are charged an “assets under management” fee, based on the value of all securities in the account, plus a ticket charge of up to \$25 per transaction. These fees 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; (iv) execution; and (v) custody.

FINANCIAL PLANNING, CONSULTING AND OTHER SERVICES

World Equity Group offers comprehensive financial planning and consulting services, including analysis and recommendations regarding investments, retirement planning, estate planning, college planning and business planning for appropriate clients. Implementation of plan recommendations is entirely at the client’s discretion. Plan recommendations are developed using data collected from the client.

PROACTIVE MONEY MANAGEMENT PROGRAM

The ProActive Money Management Program is a separately managed WRAP account program sponsored by WEG. Pursuant to the Program, an investment advisory representative associated with WEG assists clients with allocating funds among several portfolio managers, based on the personal and financial data and investment objectives provided by the client. The Program is also available to clients of other advisory firms, in which case that firm’s representatives perform allocation functions for their clients. Funds allocated to each portfolio manager will be held in a separate sub-account custodied at TD Ameritrade. Portfolio managers will have authority to invest and reinvest the funds on a discretionary

basis, in accordance with a model or investment strategy maintained by the portfolio manager. Portfolio managers will invest only in accordance with their model, and will not receive information about the client. In some cases, the portfolio manager will provide a signal to WEG, who will have limited discretion to invest the sub-account in accordance with the signal. WEG will not have discretion to reallocate funds among the various managed accounts, but funds may be reallocated by the client at any time.

ProActive Money Management is a wrap fee program which is further described in detail on the ProActive Schedule H disclosure document. The Schedule H document is given in addition to this disclosure document. Some of the ProActive programs are managed by outside registered investment advisors. Each of these advisors will provide a copy of their disclosure documents (ADV Part II and/or Schedule H) which will further describe the program, fees and risks. The disclosure document is available from your investment advisor representative or by contacting WEG at compliance@weg1.com.

REPS CHOICE MONEY MANAGEMENT PROGRAM

Under the Reps Choice program, an independent investment advisory representative of WEG will assist the client in selecting third party portfolio managers for management of the account based on personal and financial data provided by the client. The selection of the portfolio manager is made solely by the client. The client must contact WEG in order to change portfolio managers or change allocations among portfolio managers. The portfolio managers will invest portions of the account (“subaccounts”) allocated to them on a discretionary basis or will direct WEG, who will have discretionary trading authority, how to invest the subaccount. Neither WEG nor the agent 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 a wrap fee program which is further described in detail on the Reps Choice Schedule H disclosure document. The Schedule H document is given in addition to this disclosure document. Some of the Reps Choice programs are managed by outside registered investment advisors. Each of these advisors will provide a copy of their disclosure documents (Adv Part II and/or Schedule H) which will further describe the program, fees and risks. The disclosure document is available from your investment advisor representative or by contacting WEG at compliance@weg1.com.

SERVICES FOR QUALIFIED RETIREMENT PLANS

Retirement Management Systems (RMS)

Under the RMS program, the advisor will construct a model portfolio or customize a portfolio for each client 401(k) plan account. The 401(k) plan is held at the 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 its Investment Advisor Representative. 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 TPA, plan custodian, and investment selections available under each plan.

THIRD PARTY MANAGEMENT PROGRAMS

In addition to the programs managed through WEG, other programs offered by WEG are sponsored and managed by various outside, unaffiliated Registered Investment Advisors. **Each of these programs will provide a copy of their disclosure documents (ADV Part II and/or Schedule H) which will further describe the program, account minimums, fees and risks.** These additional disclosure documents are available from your investment advisor representative or by contacting WEG at compliance@weg1.com.

Clients should be aware that by engaging in these services, they will pay a direct management fee to these program managers in addition to an indirect management fee to WEG.

CLIENT IMPOSED RESTRICTIONS

Advisory service programs can be tailored to the needs of individual clients. A risk tolerance profile is completed that includes the client's investment objectives, risk tolerance, time horizon, financial situation and other factors that is then 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 the designation of particular securities or types of securities that should not be purchased for the account, or that should be sold if held in the account. If the client's instructions are unreasonable or WEG believes the instructions are inappropriate for the client, we will notify the client that, unless the instructions are modified, we may cancel the client's account. A client will not be able to provide instructions that prohibit or restrict the investment advisor of an open-end or closed-end mutual fund or exchange-traded funds, with respect to the purchase or sale of specific securities or types of securities within the mutual fund. Account restrictions need to be made in writing by the client and provided to the investment advisor representative.

WRAP FEE PROGRAMS

WEG participates in wrap fee programs by providing portfolio management services through the ProActive and Reps Choice programs, which is described in the Schedule H brochure. There are no differences between the way the wrap fee accounts are managed and how the other, non-wrap accounts are managed. The difference is in the fee structure. Wrap fee programs are where investment advisory services and brokerage execution services are provided for a single "wrapped fee". Other management programs typically charge a management fee in addition to ticket charges or other brokerage and custodial fees. WEG does receive a portion of the wrap fees for our services.

ASSETS UNDER MANAGEMENT

WEG has assets under management of \$433 million. This includes assets managed on a discretionary basis of \$359 million and managed on a non-discretionary basis of \$74 million. The calculation for determining the assets under management was completed as of March 23, 2012.

FEES AND COMPENSATION

COMPENSATION FOR ADVISORY SERVICES

WEG provides investment advisory services for a fee based on the amount of assets being managed. Fees specific to each available program offered through WEG are described below.

COMPASS ASSET MANAGEMENT FEES

Compass Asset Management accounts are charged an “assets under management” fee, based on the value of all securities in the account, plus a ticket charge of up to \$25 per transaction and applicable custodial fees. These fees cover (i) an initial analysis and periodic re-evaluation of the client’s investment objectives and needs; (ii) all advisory services; (iii) account statements and portfolio reviews; (iv) execution; and (v) custody.

The standard AUM fee schedule 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%

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

RETIREMENT BODYGUARD

The regular fee schedule for the Retirement Bodyguard program is as follows:

<u>Assets Under Management</u>	<u>Standard Annual Fee</u>
\$25,000 - \$250,000	2.00%
\$250,001 - \$1,000,000	1.50%
Over \$1,000,000	1.00%

Fees are negotiable. The account minimum is \$25,000, but lower amounts can be accepted at the manager's discretion. A client may terminate the advisory contract at any time in writing and receive a pro-rated refund of fees.

FINANCIAL PLANNING AND CONSULTING SERVICES FEES

Fees to be charged for financial planning or consulting services will be agreed upon by the client and documented in a financial planning or consulting agreement contract, and are based on the following:

- an hourly rate of \$125 to \$300, depending on the services offered
- a negotiated flat fee
- a percentage of the client's investable assets
- a combination of the above.

Specialized services may also be offered using similarly negotiated rates. Travel and other miscellaneous expenses may also be charged. All fees are negotiable, and may be paid prior to or upon completion of the plan as agreed. Plan reviews may be provided, normally on an annual basis, for similar, negotiated fees.

CUSTOMIZED ASSET MANAGEMENT PROGRAMS AND INDIVIDUALLY MANAGED PROGRAMS FEES

Asset management fees will be based on the value of assets under management by WEG and will vary by the customized program. The amount of the fee will be outlined in the client agreement executed by the client at the time the relationship is established. The asset management fee is negotiable and is payable quarterly in advance. The initial fee is based upon the opening account value and prorated for that quarter. The maximum annual fee allowed shall **not exceed 3.00%** of the assets being managed; plus a ticket charge of up to \$25 per transaction. This fee is negotiable based upon the program being implemented and the value of the account.

The actual fee is agreed upon, disclosed and documented in the client agreement.

PROACTIVE MONEY MANAGEMENT PROGRAM

Fees are negotiable. All fees are paid quarterly in advance. A client may terminate the advisory contract at any time in writing and receive a pro-rated refund of fees. The standard fee schedule being:

<u>Assets Under Management</u>	<u>Standard Annual Fee</u>
\$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 ProActive fees and services are included in the Schedule H disclosure brochure. Please be sure to obtain and review a copy of the Schedule H disclosure brochure before investing.

REPS CHOICE MONEY MANAGEMENT PROGRAM

Fees are negotiable. Investment advisory and management fees, which are based upon the market value of the client's portfolio at the beginning of the quarter, including cash ("AUM Fee") are paid quarterly in advance. These fees include advisory services of Portfolio Managers, as well as execution and custody. Neither WEG, the investment advisor representative, nor the portfolio managers will be compensated on the basis of a share of capital gains or capital appreciation of the account. In addition to these fees, the client may also incur other charges, including (i) any dealer markups or markdowns and oddlot 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) 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' internal expenses, including advisory fees paid to the funds' investment advisors. The standard fee schedule being:

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

Complete descriptions of the Reps Choice fees and services are included in the Schedule H disclosure brochure. Please be sure to obtain and review a copy of the Schedule H disclosure brochure before investing.

FEES FOR QUALIFIED RETIREMENT PLANS

Retirement Management Systems

Fees are negotiable with the standard fee schedule being:

<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%

The account minimum is: \$10,000.

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

OTHER FEES

All fees paid to WEG for investment advisory services are separate and distinct from the fees and expenses charged by Mutual Funds, Exchange Traded Funds (ETFs), Variable Annuities, and other Investment Managers, broker/dealers and custodians retained by clients, if any. Such fees and expenses are described in each Mutual Fund's and Variable Annuity's prospectus, each Manager's Form ADV Part II or Schedule H, or similar disclosure statement, and by any broker/dealer or custodian retained by a client. Mutual Fund, Variable Annuities, and Manager fees generally will include a management fee, fund expenses, and related fees. If a Mutual Fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the Fund's prospectus. Refer to the Mutual Fund or Variable Annuity prospectus for a complete description of fees and services.

Certain ETF's pay advisory fees to their investment advisors, which reduces the net asset value of the fund. Some ETF's are organized as unit investment trusts and do not have an investment advisor. However, all ETF's do incur expenses related to their management and administration that are analogous to an investment advisor's management fee. These expenses affect the value of the investment.

METHOD OF FEE DEDUCTION

Fees are billed one quarter in advance and are deducted from the account based upon the account value at the end of the last market day of the quarter. Some management plans, such as 401(k) accounts, may require that the client be billed for services. Such invoices are payable within 30 days of the end of that billing period. A client may terminate the advisory contract at any time by notice to World Equity Group in writing and receive a pro-rated refund of fees.

ADDITIONAL COMPENSATION

Investment Advisor Representatives (IARs) also can be Registered Representatives of the affiliated WEG broker/dealer. WEG is a FINRA member firm that also offers securities on a commission basis. By being dually registered with both the B/D and RIA, conflicts of interest can arise. The representative may have an incentive to recommend products based on the compensation received, rather than client's needs. The representative may receive a commission on the sale of a product and also charge a management fee. To address this conflict, WEG will either recommend "no-load" mutual funds, or in the case of annuities, lower the management fee to reduce the cost to the client. Additional information regarding mutual and annuity compensation can be found in those products' prospectuses. The investor should carefully review those documents prior to investing.

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.

PERFORMANCE-BASED FEES

World Equity Group does not offer performance-based fees or pricing.

TYPES OF CLIENTS

WEG generally provides investment advice to individuals, pension and/ or profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities. Requirements for opening an account could vary depending on the program selected, but we typically have minimum accounts size requirements of between \$25,000 and \$100,000. The account manager may, at his discretion, accept accounts below the minimum required amount.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

METHODS OF ANALYSIS

Methods of analysis and investment strategies include charting, fundamental, tactical, cyclical and technical analysis, independent research, and asset allocation implementation strategies. Proprietary software programs can be used to identify market points where either “buy” or “sell” signals are recognized. These signals assist the managers in implementing the specified management strategies of the various managed programs. Quantitative analysis can also be used when analyzing securities. This analysis uses current and historical pricing information to help identify trends in both the domestic and foreign equity and fixed income markets. Technical indicators such as moving averages and trend lines may be further used to identify entry and exit points. Various fundamental data such as overall economic conditions, industry outlook, interest rates and political climate are also considered.

INVESTMENT STRATEGIES AND RISK

The investment strategies WEG uses involves multiple methods of analysis to produce a list of fundamentally and technically attractive investments. Various sectors and investments are compared based on relative strength and risk. Opportunities to invest are identified based upon the completed comparison and analysis.

All investment strategies involve risk. There is no assurance that a positive return will be obtained in any managed investment account program. Neither WEG investment advisory representatives nor portfolio 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.

DISCIPLINARY INFORMATION

In November 2011, World Equity Group and Mr. Richard Babjak, President and an owner of WEG, signed a Financial Industry Regulatory Authority (FINRA) letter of Acceptance, Waiver and Consent (AWC). 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 for the purpose of settling 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. The allegations applied only to the supervision of the firm and there has not been a complaint of any type from any of Mr. Babjak's clients regarding his financial planning or investment advisory practice.

Mr. Babjak, as an owner and President of WEG, is ultimately responsible for all activities regarding the firm. As a result of these issues, WEG significantly enhanced its supervisory and compliance infrastructures to address all of the identified matters.

In January 2012, World Equity Group (WEG) signed a Financial Industry Regulatory Authority (FINRA) letter of Acceptance, Waiver and Consent (AWC). The letter alleged that WEG failed 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. In signing the AWC, WEG was censured and fined. All OATS reporting requirements have since been corrected.

Additional information about World Equity Group can be found on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for WEG is 29087.

Additional information about Richard Babjak can be found on the SEC's website at www.adviserinfo.sec.gov and on FINRA's website at www.finra.org under the BrokerCheck section. The searchable CRD number for Mr. Babjak is 2074968.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

WEG is also registered as a FINRA member broker/dealer. Most, if not all, of our investment advisory representatives are registered both with the broker/dealer and registered investment advisor.

In its capacity as a broker/dealer, the firm provides execution and clearance of brokerage client securities transactions on a fully disclosed, introducing firm basis.

Approximately half of World Equity Group's business is comprised of broker/dealer activities and half of advisory activities. Certain officers of the firm may direct their attention during any given business week primarily to the activities of the broker/dealer side of the firm.

CODE OF ETHICS AND PERSONAL TRADING

In accordance with SEC Rule 204a-1 of the Investment Advisers Act of 1940, the firm maintains and enforces a Code of Ethics. The Code requires employee reporting of all securities holdings and transactions and requires prior pre-clearance from the firm's Chief Compliance Officer for certain securities transactions. The Code 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. All WEG investment advisor representatives are expected to be honest and ethical, make full and accurate disclosures, remain in compliance with all applicable rules and regulations, and be accountable for what they do.

WEG and your investment advisor representative act as fiduciaries for you. We have a duty to act in your best interests at all times.

WEG and/ or its investment advisory representatives may at any time own or invest in the same securities as it recommends to clients. All employees and IARs of WEG are required to submit to the WEG compliance department duplicate copies of all trades and account statements for review. WEG does not allow any IAR or employee to trade ahead of their clients. For individual securities such as stocks and bonds, client orders are placed first or block traded where an average price is used.

To review a copy of the firm's Code of Ethics, please make a written request to your investment advisor representative, contact WEG toll free at 800-765-5004, or email compliance@weg1.com.

BROKERAGE PRACTICES

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.

ORDER ENTRY

Security orders will generally be entered for execution on a first-in-first-out basis. In the event trades in the same security will be executed for multiple accounts (due to exercise of discretionary authority or simultaneous orders from customers), the trades will be aggregated and allocated in order to obtain best execution for all similarly situated customers. When trades are aggregated, allocation to each account will be determined prior to entering an aggregated trade and allocated on a pro rata basis. Orders executed at different prices will be price averaged when allocating to accounts.

BEST EXECUTION

WEG clients may custody assets at Pershing, RBC, or TD Ameritrade. These clearing firms conduct reviews of their order execution quality and WEG reviews the statistical results and rationale of these reviews.

SOFT DOLLARS

WEG does not at the present time accept soft dollars arrangements.

REVIEW OF ACCOUNTS

FREQUENCY AND NATURE OF REVIEWS

World Equity Group investment advisory representatives review accounts on an ongoing basis. Representatives also may conduct more thorough reviews annually or quarterly, depending on the program. WEG supervisory personnel conduct reviews to evaluate consistency of performance compared to the client's investment objectives. The Compliance Department additionally conducts reviews through an annual internal audit program.

REPORTS PROVIDED TO CLIENTS

Clients receive a quarterly performance evaluation, a monthly activity summary statement, confirmation of all transactions as they occur, and a year-end tax summary. All reports are provided in writing. Additional reports may be provided depending on the program and at the request of the client. All account statements are sent to the client directly from the custodian.

CLIENT REFERRALS AND OTHER COMPENSATION

SOLICITATION ARRANGEMENTS

In addition to the above programs and services, WEG also acts as a solicitor for other registered investment advisors when appropriate. World Equity Group receives a portion of investment advisory fees paid by a client to those advisors. Terms of referral fee arrangements are disclosed in a solicitor's disclosure statement provided to each client in advance.



World Equity Group, via Compass Asset Management, has entered into Solicitor (referral fee) arrangements with various non-WEG entities, whereby WEG will be referred certain clients for the purpose of rendering investment advisory services to these clients. For this referral, WEG will pay Solicitors in accordance with the fully-disclosed payment provisions of their agreement and within the guidelines noted under SEC Rule 206.

CUSTODY OF CLIENT FUNDS AND SECURITIES

WEG does not custody client assets and uses independent third party custodians to hold all client securities and assets. The third party custodians include Pershing, RBC Capital Markets and/ or TD Ameritrade. Clients receive monthly or quarterly statements, as well as trade conformations, directly from the custodian. The custodian used will vary depending on the program.

Typically, the ProActive Management Program accounts are held at TD Ameritrade, Compass Asset Management accounts are held at RBC Capital Markets, and customized programs held at RBC Capital Markets or Pershing.

In selecting custodial brokers for execution or recommendation to customers, the firm 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.

INVESTMENT DISCRETION

WEG does accept discretionary authority to manage securities accounts on behalf of clients. Before assuming this responsibility, the client must sign a discretionary account agreement granting WEG or the IAR trading authority on their account. Restrictions to the discretionary agreement may be made by the client prior to opening or at any time after the account is established. Any restrictions made on the account must be submitted in writing and signed by the client. Restrictions may be placed by the client to prohibit certain investments from being made. For example, a client may not want investments in certain geographical regions or with companies involved with certain activities.

VOTING CLIENT SECURITIES

WEG does not accept authority to vote client securities. All proxy votes are sent directly to the client for execution. WEG advisors may offer educational guidance on the various issues subject to voting, but will not recommend a certain vote, or offer to vote on behalf of the client.

FINANCIAL INFORMATION

WEG has not attached a balance sheet for its most recent fiscal year because it does not have custody of client funds or securities, or require prepayment of more than \$1200 per client six or more months in advance. WEG does not have any financial conditions that are likely to impair our ability to meet our contractual obligations. WEG does employ an independent public accounting firm to annually audit its financial books and records.

ADDITIONAL INFORMATION

PROFESSIONAL DESIGNATIONS OF WORLD EQUITY GROUP MANAGEMENT

Chartered Financial Consultant (ChFC) designation focuses on the comprehensive financial planning process as an organized way to collect and analyze information on a client's total financial situation; to identify and establish specific financial goals; and to formulate, implement, and monitor a comprehensive plan to achieve those goals. The ChFC program provides financial planners and others in the financial services industry with in-depth knowledge of the skills needed to perform comprehensive financial planning for their clients. Candidates must pass an examination for six required courses and two elective courses to earn the ChFC designation.

Chartered Life Underwriter (CLU) designation is a professional credential for persons involved in the life insurance business. Candidates must pass an examination for five required courses and three elective courses to earn the designation.

Certified Fund Specialist (CFS) A CFS focuses on the mutual fund industry. The Institute of Business & Finance (IBF) provides training in a variety of mutual fund topics, including portfolio theory, dollar-cost averaging and annuity topics. Advisors holding this designation have advanced knowledge of mutual funds.

Registered Financial Consultant (RFC) designation is a professional credential for persons in the field of financial planning. The designation is awarded by the International Association of Registered Financial Consultants (IARFC) to those financial advisors who can meet the standards of education, experience and integrity that are required of all its members. Candidates are required to complete a self-study process to attain the RFC designation. The preparation curriculum consists of ten volumes mirroring that of the CFP preparation and covers six topics.

NOTE: Investors may contact the issuing organization to determine whether their advisor is currently authorized to use the designation and whether they've been disciplined.

END OF DOCUMENT