



# Investment Research Corporation, World Capital Brokerage Advisory Services

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## Wrap Fee Program Brochure

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This wrap fee program brochure provides information about the qualifications and business practices of Investment Research Corporation. If you have any questions about the contents of this brochure, please contact us at 303-626-0634. 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 Investment Research Corporation also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Investment Research Corporation is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. This Brochure is intended, in part, to provide information which can be used to make a determination to hire or retain an Adviser.

June 2018

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## Material Changes

There has been a material change since the last Form ADV, Part 2, filed March 26, 2018. The material change is the disclosure in the section "Fees and Compensation" that we receive fees from some mutual funds, and expect to accept such fees in the future, and the receipt of those fees creates a conflict of interest which may cause us to recommend the purchase or holding of mutual fund shares that pay such fees rather than other mutual fund shares that do not pay such fees.



## Services, Fees and Compensation

Investment Research Corporation (dba World Capital Brokerage Advisory Services, together hereafter referred to as the “Firm”) presently offers the following types of advisory services:

- Retirement and Financial Planning
- Portfolio Management Services
- Financial Planning

The Firm offers its services on both a wrap fee and non-wrap fee basis. More information regarding the Firm’s Non-Wrap Fee services may be found in the general Firm Brochure. For more information about the Firm’s advisory services and programs other than this Wrap-Fee Program, please contact your Investment Advisor Representative (“IAR”) or go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The Firm is related to World Capital Brokerage, Inc., a broker dealer registered with the Financial Industry Regulatory Authority (“FINRA”), and an IAR also may be registered with WCB as a Registered Representative. Therefore, an IAR may be able to offer a client both investment advisory and brokerage services. Before engaging with an IAR, clients should take time to consider the differences between an advisory relationship and a brokerage relationship to determine which type of services best serves the client’s investment needs and goals. Clients should speak to their IAR to understand the different types of services available through the Firm and WCB.

The Firm sponsors a Wrap-Fee Program, which is an investment advisory program (the “Program”) in which the client pays a single fee for a variety of services, including but not limited to, investment advisory services, portfolio management, and other associated account fees. A client may have an IAR of the Firm serve as a portfolio manager in the Program. Alternatively, IARs may recommend the use of other investment advisers (referred to as “3<sup>rd</sup> Party Advisers”) to manage a portion or all of a client’s assets in the Program. IRC and the IAR will receive compensation as a result of a client’s participation in the program. This wrap fee brochure is limited to describing the services, fees, and other necessary information clients should consider prior to becoming a client within the Program. For a complete description of the other services and fees offered by the Firm, clients should refer to the Firm’s complete Form ADV and Part 2A Brochure.

Through the Program, IARs provide investment supervisory and management services defined as providing continuous investment advice based on each client’s individual needs.

Assets managed by the Firm and IARs through the Program are managed on an individual basis as determined by the investment objective set forth by the client. Clients should notify the Firm or their IAR if their financial situation or investment objectives have changed. Periodically, the Firm or an IAR will contact clients to determine whether their financial situation or investment objectives have changed. The Firm or an IAR may recommend to buy, sell, exchange, convert, and otherwise trade in any and all mutual funds, stocks, bonds, and other securities consistent within the investment objectives and goals of each individual client.

Clients in the Program pay a single annualized fee, based upon a percentage of the market value of all Program assets, or a flat fee, whichever the Client chooses, for participation in the Program. The Program may cost clients more or less than purchasing such services separately. The Client can choose either a \$3,000 flat fee, or a fee based on a percentage based upon the value of the Client’s account for 0.5%, 1.0%, 1.5% or another percent value mutually agreed upon between

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the Client and Investment Advisor Representative. However, it should be noted that the maximum advisory fee percentage charged for the Program shall not exceed 2% annually. The Program Fee may include the Firm's management fee, the management fee for each selected 3<sup>rd</sup> Party Adviser, if any, trading costs, and annual custodial fees (including marketing fees allowed under SEC Rule 12b-1). The maximum fee retained by 3<sup>rd</sup> Party Advisers in the Program generally may not exceed 1.00% of the assets under management. Transaction fees relating to the execution of securities transactions within the Account are paid by the client. This does not cover commission costs for trades affected by other broker-dealers, markups or markdowns for principal trades of fixed income securities by the approved custodian, or other fees described below.

The Firm or IARs may negotiate fees with individual clients based on the client's individual financial situation, complexity, and assets under management. The specific fee charged to each client for the Program will be outlined in, or attached to, the Investment Advisory Agreement ("IAA"). Some clients may pay a fixed percentage fee while other clients may pay a fee based on a tiered schedule.

Many mutual funds charge investors in those funds management fees and expenses for management related services, which are in addition to the fees charged by the Firm. Those fees and expenses are typically referred to as an "expense ratio," and are disclosed in the fund prospectus. The expense ratio is a cost to the investor in the mutual fund. Many, but not all, mutual funds include in the expense ratio a fee for distribution and marketing, which is often referred to as a "Rule 12b-1 fee," which is typically (though not always) 25bp. The Firm has received in the past, and expects to receive in the future, some or all of the Rule 12b-1 fees paid by the mutual fund. The receipt of Rule 12b-1 fees creates a conflict of interest because the Firm has an incentive to recommend or purchase for clients mutual funds which pay Rule 12b-1 fees rather than a client's needs. In addition mutual funds typically offer a number of share classes in the same fund which are subject to different eligibility, purchase, or transfer limitations, including for many, although not all mutual funds, a share class often referred to as "institutional shares, designed for purchasers who meet specified eligibility criteria, such as a minimum dollar threshold, or enrollment in an eligible fee-based investment advisory program. Institutional shares usually have a lower expense ratio, and frequently to not charge Rule 12b-1 fees. The existence of share classes, particularly institutional shares, creates a conflict of interest because the Firm has an incentive to recommend or purchase non-institutional shares, even where lower cost institutional shares are available, because non-institutional shares will be more financially beneficial to the Firm, but more costly to the client. The Firm has received in the past, and expects to receive in the future, fees paid by non-institutional shares, even when institutional shares were available which did not pay fees, or which paid lower fees than non-institutional shares. The Firm addresses the conflicts of interest described in this paragraph through disclosure to clients and supervision of Investment Advisor Representatives to reduce the possibility that a client's needs are not being met. More information about share class eligibility can be found in the mutual fund prospectus.

Clients should understand that investments recommended by the Firm or the Investment Advisor Representatives are available for purchase through other brokers or agents that are not affiliated with the firm.

Financial Planning – Investment Advisor Representatives may be compensated on an hourly basis, but is also permitted to offer a flat-fee arrangement. Client is billed directly and is often billed to bring his account current and to cover further estimated billing in accordance with the engagement agreement. An initial deposit may be required to begin the engagement and the Client is billed as hours accrue. Rates range from \$150 to \$250 per hour depending upon the set of tasks or circumstances about which Client wishes Investment Advisor Representative to

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perform or give advice. Fees are negotiable for special situations. Client is responsible for third party service or product costs, fees, or expenses incurred by Client or Investment Advisor Representative on behalf of Client. Clients may also incur brokerage fees and transaction costs as described in Brokerage Practices on page 6. If Client terminates the engagement and a residual of any advanced payment remains after an accounting for fees, expenses, hours expended on Client's behalf, this residual is returned within seven business days of the final accounting. After 48-hours, no part of the initial deposit is refundable if Client terminates, but a pro rata portion is returned if Adviser terminates the engagement.

Program fees are billed on a quarterly (calendar) basis. The first bill shall be calculated and pro-rated according to the date ("inception date") of executing the Agreement for Investment Management Services and shall be payable at the end of the calendar quarter. The inception bill shall be based upon a percentage of assets in the client's Account as of the inception date. This fee portion shall be referred to as the "inception fee".

At the same time the inception fee is calculated, the Firm will also calculate, in advance, the next quarter's fee based upon a percentage of assets contained in the client's Account as of the last business day of that calendar quarter. This fee amount will be calculated by assessing one quarter (1/4) of the total annual percentage charged against the assets in the client's Account. A prorated inception fee shall be charged for the initial partial quarter in which the account is opened. Thereafter, each quarterly fee shall be calculated, in advance, based upon the dollar amount of assets in the client's Account as of the last business day of the previous calendar quarter.

Program Fees are automatically deducted from the client's Account. Clients must provide the custodian with authorization to have fees deducted directly from the Account and paid to the Firm. The authorization shall remain valid until a written revocation of the authorization is received by the custodian. The Adviser shall submit instructions to the custodian to deduct the calculated fee. It is the IAR and client's responsibility to verify the accuracy of the Firm's fee calculation. The custodian will not determine whether the fee has been properly calculated.

Account statements sent at least quarterly by the custodian will indicate all amounts disbursed from the Account and the total amount of the Program Fee paid directly to the Firm. Upon the Firm's receipt of the Program Fee, the Firm shall compensate the custodian and 3<sup>rd</sup> Party Adviser their portion of the total fee.

Clients shall be assessed other fees by parties independent from the Firm and 3<sup>rd</sup> Party Advisers. Clients may incur, relative to certain investment products (such as mutual funds), charges imposed directly at the investment product level such as mutual fund short-term redemption fees and other marketing/administrative fees. While brokerage commission and transaction fees are wrapped into the Program fee, clients shall be separately responsible for Securities and Exchange Commission and exchange fees, transfer taxes, odd lot differentials, margin interest, and any other similar costs or charges to the extent applicable regarding the custody and administrative services provided through the approved custodian.

Cash balances in the account may be invested in money market instruments, including mutual funds that have agreements to pay compensation to the Firm or custodians. A client will pay a proportionate share of all money market fund expenses, including management fees. Occasionally, open or closed-end mutual funds may be used that generate fees payable to the Firm or the clearing agent. Exchange Traded Funds (ETFs) and similar funds may have internal fees that are included in the investment results.



The Program may cost a client more or less than purchasing the services separately. Factors bearing on the relative cost of the Program that would be relevant when considering the alternative of purchasing the services offered in the Program separately include the trading activity in a client's account and the corresponding brokerage commissions that would be charged for execution of trades, and the fees charged for investment advisory services under the Program.

The cost of non-wrapped fee investment advisory services may be lower than investment advisory services provided under the wrap fee program. Because the Firm may receive more compensation from a client from the client's participation in the Program than if the client received advisory services and brokerage services separately, the Firm and IARs may have a financial incentive to recommend the Program to clients over other types of advisory services. The Firm and IARs may give advice to others that may be different from the advice given to Program clients. A non-wrapped fee pricing arrangement may be more cost effective for accounts that do not experience frequent trading activity.

The person recommending the program to the client receives compensation as a result of the client's participation in the program. The amount of this compensation may be more than what the person would receive if the client participated in other programs of the sponsor or paid separately for investment advice, brokerage, and other services. This person may therefore have a financial incentive to recommend the Program over other programs or services.

### **Account Requirements and Types of Clients**

There is no minimum requirement to open or maintain an account unless otherwise noted in the IAA. However, some investment vehicles, such as mutual funds, or 3<sup>rd</sup> Party Advisers may have their own minimum requirements.

The Firm generally provides investment advice to individuals (includes trusts, estates, and 401(k) plans and IRAs of individuals and their family members, but does not include businesses organized as sole proprietorships), high net worth individuals and investment companies.

### **Portfolio Manager Selection and Evaluation**

In the Program, the Firm and its IARs are responsible for the overall investment advice and management services offered to clients, and the client selects the IAR who manages the account. The Firm generally requires that individuals involved in determining or giving investment advice have at least two years financial planning, advisory, brokerage-related, or other applicable business experience. Each IAR is also generally required to possess a FINRA Series 6, 7, 63, 65 license (to the extent required).

The Firm may make recommendations to a non-discretionary client to buy, sell or hold a position based upon, in part, their investment objectives and risk tolerance. It is the client's decision to accept that recommendation or not. The client hires the Firm or IAR so the client sets the standard and has the ultimate decision if the performance is acceptable or not.

Clients are advised and should understand that:

- An advisor's past performance is no guarantee of future results;
- There is a certain market and/or interest rate risk which may adversely affect any advisor's objectives and strategies, and could cause a loss in a client's account(s) value; and
- Client risk parameters or comparative index selections provided to the firm are guidelines only – there is no guarantee that they will be met or not be exceeded.



If the client decides to terminate the IAA prior to the quarter's completion, the client should ask the Investment Advisor Representative to request, in writing, for a partial refund of quarterly fees. The formula to be used when figuring the refund will be business days remaining in the quarter multiplied by that quarter's average daily fee.

Information collected by the Firm regarding 3<sup>rd</sup> Party Advisers is believed to be reliable and accurate but the firm does not independently review or verify it on all occasions. All performance reporting will be the responsibility of the respective 3<sup>rd</sup> Party Adviser. Such performance reports will be provided directly to the clients and the Firm. The Firm does not audit or verify that these results are calculated on a uniform or consistent basis as provided by an advisor directly to the firm or through the consulting service utilized by the advisor.

### **Client Information Provided to Portfolio Managers**

The Firm and your IAR are both your Registered Investment Adviser and your portfolio manager when it does not utilize outside portfolio managers (also known as 3<sup>rd</sup> Party Advisers). Your portfolio manager will have the same access to your information as the Firm. Your information includes, among other things, income, net worth, risk tolerance, and investment objectives. Your portfolio manager uses this information to manage your investments. When you update your information with the Firm, your portfolio manager will have immediate access to the same updated information. IRC has policies and procedures in place, which are available for review by clients upon their request, to protect the privacy of applicable client information.

### **Client Contact with Portfolio Managers**

You may communicate directly with the Firm's portfolio managers. If you wish to communicate with a 3<sup>rd</sup> Party Adviser, you should first consult the Firm. The Firm will generally communicate with the 3<sup>rd</sup> Party Adviser on your behalf.

### **Additional Information**

#### **Disciplinary Information**

The Firm has no disciplinary or legal proceedings or actions to report.

### **Other Financial Industry Activities or Affiliations**

World Capital Brokerage, Inc., an affiliated company of Investment Research Corporation, is registered with the Securities and Exchange Commission and Financial Industry Regulatory Authority as a Broker-Dealer of which Timothy Taggart is the Owner, President and Chief Compliance Officer, Patricia Blum is a Vice President and a Limited Principal and Michael L. Gaughan is a Vice President, Corporate Secretary and Operations Professional.

An IAR of the Firm may also be registered with WCB as a Registered Representative. Therefore, an IAR may be able to offer a client both investment advisory and brokerage services. Before engaging with an IAR, clients should take time to consider the differences between an advisory relationship and a brokerage relationship, and the costs associated with each, to determine which type of services best serves the client's investment needs and goals. Clients should speak to their IAR to understand the different types of services available through the Firm and WCB.



Timothy Taggart is also the President and a member of the Investment Committee for American Growth Fund, Inc. Patricia Blum is a Vice President and Michael Gaughan is a Chief Compliance Officer and Corporate Secretary for American Growth Fund.

World Capital Brokerage, Inc. is the underwriter for American Growth Fund, Inc. The Firm has an investment advisory agreement with American Growth Fund, Inc.

The Firm does not recommend clients to affiliated companies.

The Firm does not engage in a business other than giving investment advice nor does it sell products or services other than investment advice to clients. The principal business of the Firm and of its principal executive officers does not involve anything other than providing investment advice.

American Growth Fund, Inc. uses World Capital Brokerage, Inc. as a vehicle for trading, however, currently pays no commissions to World Capital Brokerage, Inc.

The Firm, American Growth Fund, Inc. and World Capital Brokerage, Inc. are a trio of companies. World Capital Brokerage, Inc. offers shares of the American Growth Fund to retail customers as well as underwriting services to other Broker Dealer clients.

#### **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

The Firm has adopted a Code of Ethics pursuant to SEC rule 201A-1. The Code of Ethics is available at [www.invresearch.com/downloads.htm](http://www.invresearch.com/downloads.htm) or by calling 303-626-0634.

Associates of IRC are prohibited from recommending securities in which they have a material financial interest without first gaining express written consent and instructions from IRC's Chief Compliance Officer.

All access persons of IRC are prohibited from recommending or executing a securities transaction on a day during which Firm has a pending "buy" or "sell" order in that same security until that order is executed or withdrawn.

Any such trades generally will be unwound or, if that is impractical, all profits from the trading will be disgorged to the appropriate investment company or other client (or, alternatively, to a charitable organization).

#### **Review of Accounts**

Reviews of accounts must be performed by the Investment Advisor Representative quarterly or as market warrants. These reviews must be in writing. Additionally, Investment Advisor Representatives must review the client's account with that client in person (or via an internet video web cast), over the telephone or via U.S. Mail.

Quarterly reports to clients from the Investment Advisor Representative must be in written form and include, at a minimum;

- Current Quarterly Holdings, Value and Performance,
- Rolling Twelve Month Performance, and
- Quarterly Activity Report.

#### **Client Referrals and Other Compensation**

The Firm has not engaged any outside sources to provide investment advice or other advisory services.





**Balance Sheet**

The Firm does not require prepayment of more than \$1,200.00 in fees per client or payment of fees by clients 6 or more months in advance. Therefore, the Firm is not required to include a balance sheet in this Brochure or its Form ADV.

The Firm has not been the subject of a bankruptcy petition at any time during the past ten (10) years.

