



*Where Relationships Are the Difference*

# ADV PART 2A – APPENDIX 1

## WRAP FEE PROGRAM BROCHURE

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Offered by:  
World Equity Group, Inc.  
1650 N. Arlington Heights Road, Suite 100  
Arlington Heights, IL 60004

847-342-1700 (phone)  
847-342-5056 (fax)

[www.worldequitygroup.com](http://www.worldequitygroup.com)  
[compliance@weg1.com](mailto:compliance@weg1.com)

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This wrap fee program brochure provides clients with information about the qualifications and business practices of World Equity Group, Inc. and its Adhesion Money Management Program that should be considered before investing. If you have any questions about the contents of this brochure, please contact us at (847) 342-1700 or [compliance@weg1.com](mailto: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.

This brochure is given to program clients in addition to Form ADV Part 2. Form ADV Part 2 includes information that is not included in this brochure. Please review both documents carefully.

Additional information about World Equity Group also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**DATED**  
**MARCH 31, 2017**

# MATERIAL CHANGES

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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.

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.

This section only describes any material changes made to this brochure since the last update. The last brochure was dated December 31, 2015.

World Equity Group, Inc. has changed the title of the program ProActive Money Management Program to the Adhesion Money Management Program. The Adhesion Money Management Program is a separately managed WRAP account program sponsored by WEG, managed by Adhesion Wealth Advisor Solutions, an overlay manager, and custodied at TD Ameritrade. The changes are in title only, existing accounts and their respective agreements have not changed.

# SERVICES AND PROGRAMS

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World Equity Group (WEG) is a Registered Investment Advisor<sup>1</sup> 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.

The Adhesion Money Management Program is a separately managed account program sponsored by WEG and managed by Adhesion Wealth Advisor solutions (“Adhesion”) whose role is discussed in more detail below. Pursuant to the program, an Investment Advisor Representative associated with WEG, or associated with an investment advisory firm who has been provided access to the Adhesion Money Management Program, assists clients with the allocation of funds among portfolio managers available in the program. The allocation is based on the personal and financial data and the investment objectives determined via a client risk profile questionnaire. Funds allocated to each portfolio manager will be held in a separate sub-account under Adhesion. 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. WEG Investment Advisor Representatives will have discretion to reallocate funds among selected portfolio managers or change portfolio managers, and clients may request funds to be reallocated at any time.

Adhesion is an overlay manager that will coordinate portfolio manager trading activity including whether and how to implement trading instructions received from the portfolio managers. Adhesion’s objective is to facilitate diversification, and upon request, account rebalancing and management of tax implications of portfolio manager activities.

In managing your account, the relative positions in your account may become inconsistent with the parameters of the selected portfolio manager’s model. As such, you may elect to have your account rebalanced on either an annual or quarterly basis (“Periodic Rebalancing”) in the event that the value of your assets in a particular asset category deviates by more than 5% from the target model. Adhesion will have discretion to decide which securities within an asset category shall be purchased and/or sold. You acknowledge that the purchase and sale of securities ordinarily will result in taxable gain or loss. Unless you have elected to have your account managed in a tax-efficient manner, as described below, Adhesion will not consider tax issues when rebalancing your account.

By requesting tax management, you request that Adhesion manage your assets in a manner that minimizes the potential tax burden that would be accrued as a result of realizing short-term gains in your account (“Tax-Managed Strategy”). Please note that the Tax-Managed Strategy bears an additional asset based fee. Management in a Tax-Managed Strategy may lead Adhesion to take actions in your account that differ from the actions taken in other clients’ accounts where a Tax-Managed Strategy has not been selected. If you selected the Tax-Managed Strategy and the Periodic Rebalancing option, Adhesion will take tax consequences into consideration in determining whether and how to rebalance your account. You understand that if Adhesion determines that the tax consequences outweigh the potential benefits of Periodic Rebalancing; your account may not be rebalanced in accordance with the rebalancing schedule that you selected.

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<sup>1</sup> 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.

This brochure is given to clients in addition to the Form ADV Part 2 Disclosure Brochure. The Form ADV Part 2 includes information that is not included in this brochure. Please review both documents carefully. The Form ADV Part 2 should be given for each program selected. The ADV Part 2 Disclosure Brochure is available through your Investment Advisor Representative or by contacting World Equity Group.

## FEES AND COMPENSATION

Adhesion Money Management accounts are charged an “assets under management” fee, based on the value of all securities in the account. These fees cover (i) an initial analysis and periodic re-evaluation of the client’s investment objectives and needs, and discretionary allocation among portfolio managers, (ii) all advisory services, including fees of portfolio managers and Adhesion, (iii) account statements, (iv) execution, and (v) custody. All assets are held through a WEG/Adhesion account, which is held in custody with TD Ameritrade Institutional, a division of TD Ameritrade, Inc., member FINRA/SIPC, 4211 South 102<sup>nd</sup> St., Omaha, NE 68127 (the “Custodian”).

The annual Wrap program fee charged to clients will be based on a percentage (%) of the Custodian reported value of the assets held within each individual client account(s). The total Wrap Program fee charged to an account may fluctuate due to Portfolio Manager changes, drift in manager allocations for accounts with Multiple Portfolio managers caused by market fluctuations or deposits and withdrawals, but the total Wrap Program fee shall not exceed 250 basis points (2.50%).

The standard “assets under management” fee schedule is as follows:

<b>Assets Under Management</b>	<b>WEG Platform Fee</b>	<b>Manager Fee</b>	<b>Representative Fee</b>	<b>Optional Tax Overlay Management</b>
\$25k - \$75k	.35%	*Various	Negotiable	.12%
\$75k - \$750k	.30%	*Various	Negotiable	.12%
\$750k+	.27%	*Various	Negotiable	.08%

\* For specific manager fees, please inquire or refer to platform

For smaller accounts (accounts under \$50,000), Adhesion offers an “ETF Select” model which offers access to low cost passive strategists. The standard fee schedule being:

<b>Assets Under Management</b>	<b>Standard Annual Fee</b>
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\$25,000 to \$50,000	1.5%
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Fees are negotiable depending on the relationship and size of the account. All fees are paid quarterly in advance. Fees will be prorated and the unearned portion returned upon written termination.

The Adhesion Program may cost the client more or less than the client would pay if investment advice, brokerage and other services were purchased separately. Program clients should consider the value of these services when making comparisons. The combination of services may not be available separately or may require multiple accounts, documentation and fees. In addition, certain portfolio managers may not

be available to certain clients outside the Adhesion relationship either because of minimum account sizes, fee schedules, geographic availability or other factors. Program clients should also consider the amount of anticipated trading activity when selecting among programs and assessing the overall cost. Fee-based programs typically assume a normal amount of trading activity and, therefore, under particular circumstances, prolonged periods of inactivity or asset allocations with significant fixed income or cash weightings may result in higher compensation than if commissions were paid separately for each transaction.

The investment Advisor Representative or advisory firm who recommends the Adhesion Money Management Program receives compensation as a result of a client's participation in the program. The amount of this compensation may be more than what the advisory representative would receive if the program client paid separately for investment advice, brokerage and other services. The Investment Advisor Representative or advisory firm may therefore have a financial incentive to recommend the program over other programs and services. WEG may use both internal and external portfolio managers and they would receive between 1/3 and 1/2 of the WEG advisory fee. The use or non-use of a portfolio manager does not affect the fee a client pays.

### OTHER FEES

The annual fee rates indicated under each of the Adhesion programs are all inclusive, wrapping both brokerage and advisory fees into one. However, the asset-based fee **does not** pay for any of the following: (i) any Exchange/SEC fees; (ii) certain transfer taxes; (iii) service or account charges, including electronic fund and wire transfer fees, auction fees, debit balances, margin interest, certain odd-lot differentials and mutual fund short-term redemption fees; and (iii) brokerage and execution costs associated with non-eligible assets held in your account or with securities and other property held outside of your managed account.

In addition, all fees paid to us for management services are separate from any fees and expenses charged to shareholders of mutual fund shares by the investment company or by the investment advisor managing the mutual fund portfolios. These expenses generally include management fees and various fund expenses such as: 12b-1 fees, redemption fees, account fees, purchase fees, contingent deferred sales charges, and other sales load charges may occur but are the exception within managed accounts at institutional custodians. A complete explanation of these expenses charged by the mutual funds is contained in each mutual fund's prospectus. You are encouraged to carefully read the fund prospectus.

A client may invest in a money market fund or mutual funds directly without incurring the fee charged for participation in the program. In addition, for certain accounts that hold a high percentage of investments in money market or mutual funds, other advisory programs may be available through WEG for lower advisory or other fees. Any non-sweep money market funds held in the account will be subject to program fees. Program clients will receive a prospectus for each money market and mutual fund purchased.

Certain ETFs pay advisory fees to their investment advisors, which reduces the net asset value of the fund. Some ETFs are organized as unit investment trusts and do not have an investment advisor. However, all ETFs 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.

## **ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

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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 vary depending on the program selected, but we have minimum account size requirements of between \$25,000 and \$100,000 per manager. The portfolio manager may, at his discretion, accept accounts below the minimum required amount. Account minimums are discussed in more detail in each portfolio manager's Form ADV or other disclosure document.

## **PORTFOLIO MANAGER SELECTION AND EVALUATION**

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Portfolio managers are selected for the program based primarily on their model, risk management discipline, performance, and how the model fits with other models in the program. Additional reviews and considerations include legal and regulatory background checks, interviews and meetings with program managers, and inquiries to ensure compliance with regulatory standards. WEG reviews manager performance information annually.

The WEG sponsored Adhesion Money Management Program provides our Investment Advisor Representatives with access to third-party advisory services offered by various turnkey asset management providers and third-party managed account providers. For more information regarding each portfolio manager, please refer to the portfolio manager's Form ADV or other disclosure document.

WEG may provide information to the client regarding the retention or replacement of the portfolio manager if the manager changes its management style or the client's objectives change. WEG may replace managers in the program if the model is changed or WEG believes another manager would be more appropriate for the program.

Each client has the ability to change between the managers based upon the client's specific investment needs, risk tolerance and goals. The Investment Advisor Representative assists the clients in selecting appropriate managers based upon the specific needs of each client.

Neither WEG nor any Investment Advisor Representative associated with WEG assumes responsibility for the conduct of unaffiliated portfolio managers, including their performance, performance reporting, or compliance with laws or regulations. Neither WEG, nor any third party, independently verifies the performance information provided to determine its accuracy or compliance with presentation standards. Performance information may not be calculated on a uniform and consistent basis. Program clients are advised and should understand that (a) such manager's past performance is no guarantee of future results; (b) there are market and/or interest rate risk which may adversely affect any manager's objectives and strategies and could cause a loss in a client's account, and (c) any risk parameter or comparative index selections provided for accounts are guidelines only; there is no guarantee that they will be met or

## PORTFOLIO MANAGER SELECTION AND EVALUATION

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exceeded. Once funds are allocated to a manager, the manager will manage the funds solely in accordance with the model.

One of the portfolio manager options available to clients under the Adhesion Money Management Program is Compass Active Tactical Management (Compass), which is managed by WEG Officers. This affiliated manager is subject to the same selection process and review as the other managers. All other portfolio manager options available under the program are unaffiliated Registered Investment Advisors. The Compass program is available outside of the Adhesion Program. However, if the client chooses to use Compass outside of the program, they will not receive other benefits of the program, including the ability to allocate and reallocate to other managers within an Account. WEG has an inherent conflict of interest in selecting Compass as a manager under the program. When Compass is selected in the program, WEG receives that portion of the fee that would otherwise be paid to an unaffiliated portfolio manager and the underlying management fee paid, and thus has an inherent conflict in recommending Compass as compared to possible unaffiliated managers that may have similar performance, investment style and track record, but lower fees.

### FREQUENCY AND NATURE OF REVIEWS

World Equity Group Investment Advisor Representatives review client 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 CONTACT & INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

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If a client requests a consultation with one of the portfolio managers, the request has to be made to the Investment Advisor Representative. The Investment Advisor Representative will facilitate the contact with the manager and schedule either a teleconference or a meeting.

Client information provided to the portfolio managers include the client's name, address, account registration status, and contact information. Updated information will be provided to the portfolio managers as needed and upon material changes.

## ADDITIONAL INFORMATION

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### RISKS ASSOCIATED WITH LEVERAGED AND/ OR INVERSE EXCHANGE TRADED FUNDS

Most leveraged Exchange Traded Funds (ETFs) seek to provide a multiple of the investment returns of a given index or benchmark on a daily basis. Due to the effects of compounding and possible correlation errors, leveraged ETFs may experience greater losses than one would ordinarily expect. Compounding can also cause a widening differential between the performances of an ETF and its underlying index or benchmark, so that returns over periods longer than one day can differ in amount and direction from the target return of the same period. Consequently, these ETFs may experience losses even in situations where the underlying index or benchmark has performed as hoped. Some specialized exchange-traded funds can be subject to additional market risks. Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. In a volatile market, compounding can result in leveraged longer-term returns that are less than two times the return of the unleveraged investment.

### INVESTMENT 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 Investment Advisor 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 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.

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