



# Investment Research Corporation World Capital Brokerage Advisory Services

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## Compliance Manual



WORLD CAPITAL BROKERAGE ADVISORY SERVICES ♦ INVESTMENT RESEARCH CORP  
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1. General

- A) Investment Research Corp, dba World Capital Brokerage Advisory Services, (“IRC”) is an investment advisor registered with the United States Securities and Exchange Commission (“SEC”).
- B) Rule 206(4)-7 under the Investment Advisors Act of 1940 (“Advisors Act”) requires each investment advisor registered with the SEC to adopt and implement written policies and procedures reasonably designed to prevent violation of the federal securities laws and to review those policies and procedures annually. In accordance with rule 206(4)-7, IRC has established this procedures manual (“Manual”) to conform to federal and state securities and investment advisor laws and regulations. IRC believes that the policies and procedures contained in this Manual are reasonably designed to detect and prevent violations of federal and state securities and investment advisor laws and regulations by IRC and its supervised persons. Section 202(a)(25) of the Advisors Act defines Supervised Persons as “any partner, officer, director (or other person occupying a similar status or performing similar functions), or employee of an investment advisor, or other person who provides investment advice on behalf of the investment advisor and is subject to the supervision and control of the investment advisor.”
- C) Rule 206(4)-7 requires each advisor to adopt policies and procedures that take into consideration the nature of that firm’s operations. Accordingly, this Manual is designed to prevent, detect and promptly correct any and all violations that have occurred.
- D) Each Supervised Person with responsibilities in connection with IRC’s activities will be provided a copy of this Manual. This Manual will be revised or supplemented as business developments and regulatory requirements dictate. IRC will provide updates to this Manual as they are released to each IAR. It is the responsibility of each IAR to keep their personal copy current.
- E) Supervising Principals are responsible for monitoring the activities of all IARs under their supervision to ensure compliance with the Advisors Act and all other applicable securities laws, rules and regulations, as well as IRC’s policies and procedures.
- F) Failure to Comply
  - 1) Failure to comply with any applicable law, rule, regulation or IRC policy is punishable by, up to and including, financial penalties and termination of an IAR’s association with IRC as well as possible ramifications from State and Federal Regulatory Agencies.
  - 2) IRC will have the sole authority and discretion to investigate any potential violation, determine any reporting obligations, levy any appropriate sanction and resolve the matter.
- G) Non-compliance with any section of this manual must be immediately reported to the CCO or, if not available or practicable, to a senior member of management.
- H) Trades are executed through World Capital Brokerage, Inc. by Pershing, LLC. or via a 3<sup>rd</sup> party administrator.

2. Investment Advisors Act of 1940

- A) The business activities of IRC offered to the public make IRC an “Investment Advisor,” as defined in Section 202(a)(11) of the Advisors Act.  
“Any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation, and as part of a regular business, issues or promulgates analyses or reports concerning securities.”



Accordingly, IRC is subject to the anti-fraud and other provisions of the Advisors Act and has the following common law duties with respect to its clients: a duty of care and a duty of loyalty.

B) Anti-Fraud Provisions

- 1) Section 206 of the Advisors Act makes it unlawful for an investment advisor directly or indirectly to;
  - a) Employ any device, scheme, or artifice to defraud an existing or prospective client,
  - b) Engage in any transaction, practice or course of business that operates as a fraud or deceit upon any existing or prospective client,
  - c) Act as principal for its own account, to knowingly sell to or purchase from a client any security, or to act as broker for another person to effect any sale or purchase of any security for the account of any client, without disclosing to the client in writing before the completion of the transaction the capacity in which the advisor is acting, and obtaining the consent of the client to the transaction, or
  - d) Engage in any act, practice, or course of business that is fraudulent, deceptive, or manipulative.
- 2) The SEC has used Section 206 to impose on advisors not only disclosure obligations but also substantive regulatory requirements. Examples of fraudulent activities that have been found to violate Section 206 include;
  - a) Front running,
  - b) Misrepresenting pricing methodology,
  - c) Taking advantage of investment opportunities belonging to a client, and
  - d) Failing to disclose commission splitting.
- 3) The policies and procedures of this Manual are reasonably designed to;
  - a) prevent front running by IRC and its IARs,
  - b) have IRC and its IARs make full and accurate disclosure to clients regarding matters that have an impact on its independence and judgment,
  - c) have IRC and its IARs disclose receipt of commissions for sales of securities or other investment and/or insurance products offered to a client in pursuit of the client's investment objectives, and
  - d) prevent IRC and its IARs from willfully making an untrue statement of a material fact or willfully omitting to state a material fact in any registration statement or report filed with the SEC.

C) Fiduciary Responsibility

- 1) In the U.S. Supreme Court decision of SEC v. Capital Gains Research Bureau the Court held that an investment advisor has a duty, under Section 206 of the Advisors Act, to act solely in the best interest of its clients and to make full and fair disclosure to the client of all material facts, particularly in those circumstances where conflicts of interest may exist. Many obligations arise from an investment advisor's fiduciary duties under Section 206. These include the duty to;
  - a) advise the client that a basis exists where an advisory account is more suitable than a brokerage account. For example, clients who have a low level of trading activity may be better suited for a



brokerage account. Realizing that this is not a one-on-one comparison; if account activity is low the advisor must be able to;

- 1) justify and show that the fees the client is paying are fair and reasonable, and
- 2) the client must approve in writing that they wish to remain in an advisory style account. This approval must disclose the difference in costs between a brokerage account and an advisory account.

- b) have a reasonable, independent basis for investment advice,
- c) obtain best execution for a client's transactions,
- d) ensure that investment advice is suitable to a client's needs,
- e) refrain from effecting personal transactions inconsistent with a client's interests, and
- f) be loyal to clients.

- 2) IARs and IRC may be held to a higher standard in recommending an investment to a client, than a Registered Representative who is not an IAR. An IAR and IRC must maintain sufficient information regarding a client's circumstances to determine whether particular investments are suitable. Therefore, IRC will perform a thorough and complete suitability review for each account submitted by an IAR for an advisory client.

D) Supervisory Responsibility

- 1) Section 203(e)(6) of the Advisors Act authorizes the SEC to take appropriate action against an investment advisor whenever the advisor "has failed reasonably to supervise, with a view to preventing violations of the provisions of";

- a) The Securities Act of 1933,
- b) The Securities Exchange Act of 1934,
- c) The Investment Company Act of 1940,
- d) The Investment Advisors Act of 1940,
- e) rules or regulations made pursuant to any of these statutes, or
- f) rules of the Municipal Securities Rulemaking Board.

Thus an Investment Advisor may, in an enforcement action, be found to have "failed to reasonably supervise" whenever an individual subject to the Advisor's supervision has violated any of the aforementioned statutes and regulations. However, an investment advisor may successfully defend itself against a claim of "failure to reasonably supervise" if the advisor has met three (3) conditions;

- a) had a compliance system and established procedures reasonably designed to prevent and detect violations of federal securities laws and regulations,
- b) discharged its duties and obligations by reason of following its procedures, and
- c) had no reasonable grounds to believe that the Supervised person was not complying with the advisor's policies and procedures.

3. Compliance Policy and Form ADV Changes

Periodically it will become necessary for IRC to amend its compliance policies as well as its Form ADV Parts 1 and 2 due to regulatory or business practice changes. Amended rule 204-2 under the Advisors Act requires all firms to maintain copies of all policies and procedures that were in effect at any time during the last five years (effective date 10/05/2004). Because of this rule change, IRC has adopted a policy that documents its policy change practice.



- A) The Chief Compliance Officer (“CCO”) will work with the firm’s personnel, which may include the Firm’s legal counsel, on any Manual or Form ADV changes that are the result of legislative or regulatory matters or are the result of business changes.  
All new and amended policies will be presented to IRC’s IARs as they are published.
- B) IRC is registered with the SEC as an investment advisor pursuant to Section 203(c) of the Advisors Act and Rule 203A-1 adopted thereunder. It is the responsibility of the CCO to prepare and maintain IRC’s Form ADV parts 1 and 2 and related filings, schedules and reports and submit to the SEC any amendments thereto in accordance with the provisions of Rule 204-1.
- C) Form ADV
- 1) Form ADV Part 1  
Part 1 of Form ADV must be filed electronically with the Financial Industry Regulatory Agency (“FINRA”) Investment Advisor Registration Depository (“IARD”). If for any reason the information in Items 1, 3, 9 or 11 become inaccurate, IRC must promptly file with the SEC an amended Form ADV Part 1. If for any reason the information in Items 4, 8 or 10 become materially inaccurate, IRC must promptly file with the SEC an amended Form ADV Part 1. All other changes to the Form ADV Part 1 must be filed each year within 90 days of IRC’s fiscal year end.
  - 2) Form ADV Part 2  
The Advisors Act requires all investment advisor firms to provide all advisory clients and prospective advisory clients with a written disclosure document. This document can be either Part 2 of Form ADV or a written document containing all the material information included in Part 2 of Form ADV. The purpose of this disclosure document is to inform advisory clients and prospective advisory clients of IRC’s services, business practices and possible conflicts of interest and/or material affiliations. Amendments to Form ADV Part 2 and all schedules must be made promptly; however, such amendments need not be filed with the SEC.
- D) Form ADV Part 1 and ADV Part 2 must be reviewed by the CCO or another appropriate person and updated annually and filed with the SEC within 90 days of IRC’s fiscal year end.  
The CCO is responsible for reviewing all Form ADV amendments prior to filing.
- 4) Supervisory System  
In order to comply with its fiduciary obligations and supervisory responsibility under the Advisors Act, IRC has established the following:
- A) Designation of Chief Compliance Officer (CCO)  
Rule 206(4)-7 requires IRC to designate a Chief Compliance Officer (“CCO”) to administer its compliance policies and procedures. Timothy E. Taggart has been designated as IRC’s CCO.  
Mr. Taggart has the responsibility for overseeing implementation of IRC’s compliance program, as well as periodic review of the compliance policies and procedures. He also reviews IRC’s Form ADV and other materials as appropriate, trains staff, and is responsible for detecting violations of applicable federal securities laws, rules, and regulations. Mr. Taggart may delegate day-to-day advisory compliance duties to other appropriate associates of IRC; however, he cannot delegate his overall advisory compliance responsibility to any other associate.  
The CCO will attend industry-sponsored functions, network with fellow compliance specialists in the industry, and review alerts and notices



disseminated by regulatory authorities, as well as consult IRC's outside legal counsel, and other third parties for items that may impact IRC's investment advisory business.

- B) Additional CCO responsibilities include but are not limited to:
- 1) Monitoring for compliance with investment advisor disclosure and antifraud rules,
  - 2) Monitoring for compliance with applicable advertising rules,
  - 3) Monitoring for compliance with advisory fee rules,
  - 4) Monitoring for compliance with all record-keeping rules, including maintenance of "separate and secure" investment advisor files,
  - 5) Ensuring that current and accurate client files for all investment advisor client accounts are being maintained by IRC's IARs at the place from which IRC's business is conducted,
  - 6) Ensuring that all investment advisor files being maintained are secure and separated from any other files IRC's IAR may maintain for a client's insurance and/or other investment business. These files must include:
    - a) Copies of Advisor Agreements and any other agreement(s) relating to the client account,
    - b) Copies of new account opening documents (investor profile, risk tolerance, Client Account Questionnaires, trust documents, etc.),
    - c) Copies of all investment advisor-related correspondence,
    - d) Copies of checks for advisory services,
    - e) Copies of any fee-based financial plans delivered to clients,
    - f) Copies of any invoices sent to clients,
    - g) Quarterly account statements and annual account statements,
    - h) Confirmation statements, and
    - i) Copies of the client's acknowledgement of receipt of IRC's Form ADV Part 2.
  - 7) All client accounts that have investment advisor activity during the year require periodic review,
- C) This Manual is intended to be a permanent record which will be reviewed and updated on an annual basis by the CCO, or other appropriate associate appointed by the CCO, to comply with Rule 206(4)-7. If the review is conducted by an appropriate person other than the CCO, the CCO must review and approve all changes made prior to publication.
- 5) Investment Advisor Representative Qualifications
- A) IRC requires all registered persons associated with it who represent themselves as "financial planners" or "financial advisors" and/or charge a fee for financial advice to be registered with IRC as IARs.
  - B) As a pre-condition to being registered as an IAR, IRC will investigate the character, business reputation, qualifications, and expertise of each person seeking association with IRC as an IAR. IRC requires its representatives to pass all requisite industry-related examinations and to be registered with all regulatory business locations relevant to their activities as an IAR. Investment advisory representatives typically have a college degree; some have an advanced degree in law, business or finance; and most have at least five years business experience in a business professional capacity.
- 6) Advisory Agreements
- A) Each Advisory Agreement provided to the client for wrap, managed account services, or fee based planning must include:
    - 1) A statement that IRC may not assign the Advisory Agreement without the client's consent.





- 2) A statement that the client acknowledges receipt of IRC's Form ADV , Part II
  - 3) Information relevant to the type(s) of client assets to be managed by IRC.
  - 4) Information about any limitations on client's discretion to select broker/ dealers.
  - 5) Information about the advisor's fee.
  - 6) Information about the notice required by the client or advisor to terminate the Advisory Agreement.
  - 7) Information about all other terms relevant to the particular advisor/client relationship established by the advisory agreement signed by the client.
  - 8) Advisory Agreements executed in the name of a corporation must be accompanied by:
    - a) A copy of the corporation's articles of incorporation certified by the State agency having jurisdiction over incorporation in that State.
    - b) A corporate resolution authorizing the officer signing the advisory agreement to enter into the advisory agreement.
    - c) Advisory agreements executed in the name of a trust must be accompanied by a copy of the trust agreement.
    - d) Advisory agreements executed in the name of an ERISA plan must be accompanied by plan documents.
- B) IRC's CCO will work with the firm's legal counsel to ensure that IRC's Investment Advisory Agreements ("Advisory Agreement") are in compliance with the requirements outlined in the Advisors Act. The Supervising Principals at IRC's business locations have been delegated the primary responsibility of verifying that the client has signed an Advisory Agreement prior to IRC's IARs rendering investment advice to a client. Supervising Principals also have the primary responsibility of monitoring the client's advisory file at IRC's business locations to assure that an Advisory Agreement signed by the client is maintained in this file. IRC's CCO has been delegated the responsibility of verifying, prior to IRC rendering advisory services to the client, whether in the form of financial planning, a managed account and/or wrap account, that an Advisory Agreement has been executed by the client and a copy of the Advisory Agreement has been delivered or offered to the client.
- 7) Form ADV Part 2  
 Rule 204-3 under the Advisors Act requires an investment advisor to provide certain written disclosures to prospective and existing advisory clients. This rule requires IRC to furnish or offer to furnish each advisory client and prospective advisory client with a written disclosure statement ("ADV II").
- A) This rule is designed to ensure that clients receive basic information about an investment advisor, including;
- 1) Type(s) of advisory services provided by IRC and its IARs,
  - 2) Method(s) of security analysis used,
  - 3) Fee(s) charged by the advisor and its IARs,
  - 4) Background information about IRC, and
  - 5) Disclosure of IRC's conflicts and potential conflicts of interest.
- B) ADV II must be offered to advisory clients and prospective advisory clients upon the happening of the following events:
- 1) Initial delivery: At the time an Advisory Agreement is entered into between IRC and advisory client, the IAR must provide the advisory client with IRC's ADV II.



- a) At “initial delivery” of ADV II, the client is given the right to terminate the Advisory Agreement without penalty within five business days after entering into the Advisory Agreement.
  - b) IRC has primary responsibility of assuring that this “right of termination” is contained in ADV II that IRC’s provides to the advisory client or prospective advisory client.
  - c) “Initial delivery” of ADV II, as well as communication of the “right of termination” to the advisory client/prospective advisory client, is the primary responsibility of IRC’s IARs.
  - d) The CCO or a Supervising Principal of the IAR has the primary responsibility of monitoring that the IAR fulfills the duty of “initial delivery” of the ADV II and the IAR’s duty of communicating to the client/prospective client this “right of termination.”
- 2) Annual delivery: Each year, IRC’s Firm Brochure is delivered, without charge, to each client.
- a) At any time other than at the annual delivery, IRC will deliver an ADV II within seven days of receipt of the client’s written request.
  - b) IRC bears the primary responsibility of delivering or offering in writing to deliver its ADV II to the advisory client.
  - c) When opening an account every advisory client must acknowledge receipt of a copy of ADV II.
- C) The CCO will ensure that IRC’s ADV II is current prior to delivery to the advisory client / prospective advisory client.
- D) The CCO or a Supervising Principal have been delegated the responsibility to ensure that ADV II is offered to the advisory client/prospective advisory client within the time frames specified in the Advisors Act and delivered within the specified time frame. The CCO has been delegated the responsibility to ensure that ADV II is delivered to clients at least annually.
- 8) ERISA Clients
- Special considerations arise when IRC is retained to invest the assets of a pension or profit sharing plan (“plan”) that is subject to regulation under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).
- ERISA accounts must be approved in writing by the CCO prior to opening the account.
- A) Only a “named fiduciary” with respect to the plan may enter into an Advisory Agreement with IRC on behalf of the plan.
  - B) The named fiduciary -- which may be the employer or employee organization sponsoring the plan, an individual, committee, or corporation serving as the plan administrator, or the plan trustee(s) -- must either be identified in the documents governing the plan or be appointed by the plan sponsor pursuant to a procedure specified in the plan documents.
  - C) In addition, certain transactions involving assets of an ERISA plan are expressly prohibited, whether or not the transaction is otherwise prudent and in the best interest of the plan and its participants. These “prohibited transactions” include the following:
    - 1) Sale or exchange, or leasing, of any property between a plan and a party in interest.
    - 2) Lending money or other extension of credit between a plan and a party in interest.
    - 3) Furnishing of goods, services, or facilities between a plan and a party in interest.
    - 4) Transfer to, or use by or for the benefit of, a party in interest, of any assets of a plan.



- 5) Acquisition, on behalf of a plan, of any security issued by an employer with respect to the plan or the plan's affiliate, or real property which is leased to an employer or an affiliate, or the holding of this security or real property, unless the acquisition or holding complies with certain limitations imposed by ERISA (generally, these holdings may not comprise more than ten percent (10%) of the value of all plan assets).
- D) The term "party in interest" is broadly defined to include an employer with respect to the plan and certain affiliates of the employer, plan fiduciaries, and other plan service providers.
- E) When serving as a fiduciary with respect to an ERISA plan, IRC may not engage in self dealing transactions involving the assets of the plan. Specifically, an ERISA plan fiduciary may not:
  - 1) Deal with the assets of the plan in the fiduciary's own interest or for the fiduciary's own account,
  - 2) Act in any transaction involving the plan on behalf of a party (or represent a party) whose interests are adverse to the interests of the plan or plan participants or beneficiaries, or
  - 3) Receive any consideration for the fiduciary's own personal account from any party dealing with the plan in connection with a transaction involving the assets of the plan.
- F) ERISA plan documents must be reviewed to confirm that the prospective client is authorized to enter into an Advisory Agreement on behalf of the plan regardless of the ownership of an ERISA plan, assets may not be maintained at any location that is outside the jurisdiction of the United States Federal District Courts. Supervising Principals at IRC's business locations have been delegated the primary responsibility of assuring that IARs under their supervision comply with the aforementioned ERISA requirements. IRC's CCO has been delegated the responsibility of assuring that new advisory accounts are established only if the aforementioned ERISA requirements have been met by IRC's IARs and their Supervising Principals. Therefore, any question as to whether a transaction may be prohibited should be discussed with IRC's CCO. IRC's CCO will determine if such a transaction could be prohibited, and, if so, whether or not this transaction would be permitted by one of the statutory exemptions enacted by Congress or class exemptions issued by the Department of Labor. IRC's CCO shall ensure that IRC has obtained necessary insurance coverage relating to the advisory services provided to ERISA clients.
- 9) Advertisements
  - A) Rule 206(4)-1 under the Advisors Act governs advertisements by IRC and IARs. This rule prohibits an SEC-registered investment advisor from publishing, circulating, or distributing any advertisement that is incomplete, false, or misleading.
  - B) Accordingly, IRC does not permit any of its IARs to directly or indirectly publish, circulate, or distribute any advertisement that;
    - 1) Refers to any testimonial in which IRC or any other investment advisor is named or referenced,
    - 2) Refers to any testimonial in which any advice, analysis, report, or other service rendered by IRC or any other investment advisor is referenced,
    - 3) Refers directly or indirectly to past or current specific recommendations,
    - 4) Represents that any graph, chart, formula, or other device being offered can be used to determine what securities should be bought or sold, or that such a device will assist any person in making decisions concerning specific securities transactions,



- 5) Contains any statement to the effect that any report, analysis, or other service will be furnished without charge unless the report, analysis, or service is actually furnished without charge or other obligation, and
  - 6) Contains any untrue statement of a material fact, or is otherwise false or misleading.
  - C) IARs are required to submit all sales literature and advertisements including, in part, business cards, letterheads and telephone book advertisements to the CCO and gain written approval prior to use.
  - D) Business Cards and Letterheads must use the following language in a legible font size. "Investment Advisory Services offered through Investment Research Corp., 1636 Logan Street, Denver, CO 80203, 303-626-0634, a Registered Investment Advisor."
  - E) Marketing Advisory Services and Solicitors, as well as all sales literature and advertisements involved with such, must be approved in writing by the CCO.
  - F) Prohibited Advertising Items
    - 1) Hard-cover books or pamphlets on investment topics that can be purchased with the registered representative's name printed on the cover.
    - 2) Newspaper, magazine or Web articles where the public might reasonably assume the registered representative is the author, when this is not the case.
    - 3) Interview-style broadcasts, webcasts or other public appearances where it appears that an independent third party is interviewing a registered representative when the interview questions and answers are in fact pre-determined; or, in the case of printed interviews, where the questions and answers were created by or for the registered representative.
    - 4) Handouts in the form of magazines that appear to contain articles written by or about the representative when, in fact, they are produced by a vendor at the request of the registered representative.
  - G) Responsibility for ensuring that all advertisements are approved prior to use by IARs belongs to the IAR.
- 10) Client Lists
- A) Although testimonials are generally prohibited, the SEC's Division of Investment Management has permitted investment advisors to provide a "partial list" of clients in their marketing materials if the following conditions are met;
    - 1) IRC's IARs use objective criteria unrelated to the performance of client accounts in determining which clients to include in the list,
    - 2) Client list discloses the objective criteria used to determine which clients to include on the list, and
    - 3) Client list carries a disclaimer stating, "It is not known whether the listed clients approve or disapprove of the advisor or the advisory services provided."
  - B) Any IAR intending to include a client's name on a "representative Client List" or "partial list" must obtain the client's hand signed written consent.
  - C) IARs are required to submit all requests for use of Client Lists to their Supervising Principals for review to determine if the IAR has met all requirements.
  - D) Further, the Supervising Principal shall:
    - 1) Forward the IAR's request to the CCO, and discuss comments received from the CCO with the IAR and ensure all requested changes are completed.
    - 2) Accordingly, Supervising Principals at IRC's business locations have been delegated the primary responsibility of assuring that IARs under



their supervision comply with the aforementioned process requirements for “partial list” or “representative Client List” requests.

- 11) **Custody of Client Assets**  
Rule 206(4)-2 regulates investment advisors who have custody or possession of client securities or funds.
- A) IRC discloses in its Form ADV that it does not maintain custody of client assets.
  - B) Neither IRC nor its IARs are permitted to engage in activities that constitute custody. The term “custody” includes the following;
    - 1) receiving proceeds from the redemption of client securities,
    - 2) having signatory power over a client’s checking account,
    - 3) having discretionary authority including the authority to wire client funds,
    - 4) holding securities in IRC’s name, in the IAR’s name, or in bearer form,
    - 5) holding financial planning fees for more than six months,
  - C) In the event that IRC inadvertently receives a check from a client that should have been made payable to a third-party fund or custodian, such checks will be returned to the client within three business days.
  - D) Accordingly, Supervising Principals at IRC’s business locations have been delegated the primary responsibility of ensuring that IARs under their supervision do not maintain custody of client assets.
- 12) **Advisory Fees**  
The SEC states that an advisor’s compensation may not be based on a share of capital gains or capital appreciation of the funds or any portion of the funds of the client, except for performance based fees permitted under the conditions contained in rule 205-3 under the Advisors Act.  
Valuation is either performed by a 3<sup>rd</sup> party advisor or by Pershing according to the holding in each account.
- A) The Advisors Act further requires that;
    - 1) All unearned, pre-paid fees must be refunded upon termination of a contract,
    - 2) The terms of the advisory contract describing fees must be consistent with information in the Advisor’s Form ADV as currently on file with the SEC,
    - 3) Any advisory relationship can always be terminated, at which time the advisor must return any unearned prepaid fees, and
    - 4) The Advisor discloses to the client (or the client’s agent) all material information regarding the advisory arrangement before entering into the advisory contract.
  - B) Depending on the service selected, clients may pay for services based on;
    - 1) A percentage of assets under management,
  - C) Additional charges may also apply, such as;
    - 1) Transaction costs,
    - 2) Custodial services, and
    - 3) Mutual fund 12b-1 fees.
  - D) **Disclosure of Fees**  
Because each advisor or investment advisory service has its own fee schedule, full disclosure of all applicable fees, refunds and termination provisions will, necessarily, be communicated directly to the client by IRC’s IARs.
  - E) **Financial Planning Fees**  
Fees may be charged on either an hourly, flat or asset-based fee basis. Fees for financial planning services may differ from one IAR to another, as they are subject to prior negotiation and agreement between the client and the IAR. IRC does not dictate a minimum required fee, a maximum required fee, or a range. After the first anniversary of their initial contract, clients may wish, or the IAR may



suggest that their contracts be renewed in order to update their financial plans in whole or in part. If a client chooses to renew his/her contract, current financial information relevant to the planning areas is obtained and evaluated and a written summary/update is provided. A new, negotiated fee may apply.

- 1) Financial plans must be delivered to the advisory client no later than six months following the date of the Advisory Agreement signed by the client.

IARs who collect advisor fees cannot collect commission fees.

All fees must be paid directly to IRC.

F) WRAP Fees

If the advisory service involves a wrap program, the all-inclusive “wrap fee” typically will cover;

- 1) Costs of the initial and on-going investment advisory services,
- 2) Execution of securities transactions,
- 3) Costs of custody,
- 4) Costs of performance measurement, and
- 5) Costs of any other service(s) set forth in the service agreement.

Wrap fee programs must be approved by the CCO.

Please refer to section “Advisory Agreements” for further disclosure details.

G) Commission-Based Fees

If a client participates in a different kind of advisory service that does not include execution services, IRC’s IARs may be compensated on a commission-basis for executing transactions in their capacity as a broker dealer representative, or may receive commissions for insurance sales.

IARs that receive commission based fees cannot collect advisor fees.

Commission based fees must be pre-approved by the CCO in writing.

H) Guidelines for Charging Asset-Based Advisory Fees

IARs that provide portfolio management services approved through IRC and who are charging fees based upon assets under management must adhere to the following guidelines;

- 1) Asset-based advisory fees must be on par with what other advisors would charge for a similar service. Fees greater than 2% are considered to be excessive. Be aware, however, that fees less than 2% can also be considered excessive based upon the service provided. The SEC believes that an excessive fee may violate the anti-fraud provisions of the Advisors Act,
- 2) Illiquid assets, such as limited partnerships and fixed annuities, may not be included in the asset base upon which the IAR’s billing is based. Fees are difficult to justify in situations where there is no active management service provided. The client must be made aware in writing of all fees and their functions which may include passive fees such as when monitoring accounts,
- 3) If the IAR receives a commission (subject to written pre-approval by the CCO), the IAR must disclose the commission to the client,
- 4) Any prepaid fees received from the client must be refunded on a pro-rata basis if the client terminates the advisory agreement prior to the end of the period for which the prepaid fee applies.
- 5) An IAR may not receive fees and/or commissions directly from a third party provider or clearing firm. All fees must be paid through IRC, thus permitting a Supervising Principal and home office review of all fees, and
- 6) Advisory fees may not be based on tax savings realized by a client.

IRC has delegated to the Supervising Principals at IRC’s business locations the primary responsibility of ensuring that IARs under their supervision make full and



appropriate disclosure of all applicable fees to the advisory client. IRC delegates this primary responsibility to the Supervising Principals because disclosure of this type takes place at the “point of sale” or contact with the advisory client, and the Supervising Principals at IRC’s business locations are best positioned to supervise this important market conduct. IRC’s CCO has been delegated the responsibility of ensuring that, once a new advisory account has been properly established, fees are charged in accordance with client agreements.

13) Performance-Based Fees

Section 205(a)(1) of the Advisors Act prohibits an advisor from receiving “performance-based compensation.” A performance-based fee is one based on a share of the capital gains and appreciation of a client’s funds, subject to the conditions contained in rule 205-3 under the Advisors Act. This prohibition was included in the Advisors Act because these performance-based fees, by their very nature, were believed to create an incentive for an investment advisor to take undue risks with client funds in an attempt to generate a higher fee.

- A) IRC does not permit Performance-Based Fees.
- B) IRC has delegated to the Supervising Principals at IRC’s business locations the primary responsibility of ensuring that IARs under their supervision do not charge advisory clients any advisory fee that is based on performance. IRC delegates this primary responsibility to the Supervising Principals at the IRC’s business locations because enforcement of this type takes place at the “point of sale” or contact with the advisory client, and the Supervising Principals at the business location are best positioned to supervise this important market conduct.

14) Trading

As an advisor and a fiduciary, Supervised Persons must place client interests first and foremost. IRC’s trading policies and procedures prohibit unfair trading practices and seek to avoid any conflicts of interests or resolve such conflicts in the clients’ favor. Specific policies and procedures with regard to trade documentation, trade confirmation, resolution of trade errors, and trade aggregation are outlined below. All Supervised Persons are bound by these policies and procedures. IARs are not permitted to have discretion over any of their client’s accounts without prior written approval from the CCO.

- A) Trade Documentation and Confirmation
  - 1) It is IRC’s policy to follow SEC requirements with regard to documentation of all trade activity through World Capital Brokerage, Inc., from the time at which trades are initiated through the settlement process.
- B) Trade Errors
  - All trade errors must be immediately reported to the CCO and documented in writing.
- C) Trade Aggregation
  - Trade aggregation is the process of adding together trade orders to purchase and sell the same security as one large order. When a partial fill occurs, an investment adviser must allocate the purchased securities or sale proceeds among the participating accounts in a manner fair to the clients involved. Trade aggregations must be documented in writing and must be approved by the CCO. Partial fills must be documented in writing and must be approved by the CCO.
- D) Best Execution
  - 1) An Advisor has an obligation to obtain best execution of clients’ transactions under the circumstances of the particular transaction. The advisor must execute securities transactions for clients in such a manner that the clients’ total cost or proceeds in each transaction is the most favorable under the circumstances.



- 2) The Advisor should consider the full range and quality of a counter party's services in placing brokerage including, among other things, the value of research provided as well as execution capability, commission rate, financial responsibility, and responsiveness to the money manager. The determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution for the managed account. In this connection, advisors are expected to periodically and systematically evaluate the execution performance of counter parties executing their transactions. Best execution is a term most commonly associated with time critical transactions (equities, options, commodities).
- E) **Principal Trading and Cross Transactions**  
 Compliance with Section 206(3) of the Advisors Act is required for investment advisors that engage in principal and agency cross transactions. Section 206(3) states that it is a prohibited practice for an advisor "acting as principal for his own account, knowingly to sell any security to or purchase any security from a client, or acting as broker for a person other than such client, knowingly to effect any sale or purchase of any security for the account of such client, without disclosing to such client in writing before the completion of such transactions the capacity in which he is acting and obtaining the consent of the client to such transaction. The prohibitions of this paragraph (3) shall not apply to any transaction with a customer of a broker or dealer if such broker or dealer is not acting as an investment advisor in relation to such transaction."
- 1) **Principal Trading**  
 IRC does not transact any business as principal for its own account. Should IRC decide to conduct business as principal for its own account in the future, prior approval must be obtained in writing from the CCO, who shall be responsible for drafting new policies and procedures covering such activities for incorporation into this Manual.
  - 2) **Agency Cross Transactions**  
 IRC does not conduct agency cross transactions nor does IRC sell securities from one client's portfolio and subsequently repurchase the same security in another client's portfolio. Should IRC decide to conduct agency cross transactions, prior approval must be obtained in writing from the CCO.
- F) **Diversification**  
 When applicable, IRC or IARs must take into consideration certain diversification requirements. While the subject of diversification is ultimately the client's responsibility, IRC or IARs should not make a recommendation, or direct a purchase of any security, that would cause that client to become undiversified unless explicitly directed to do so.  
 When diversification is an issue, such as with a mutual fund, on a purchase-by-purchase basis, IRC will prepare an order ticket that will address diversification standards as set forth by the client. This ticket would be presented to the client so that they may verify and track their portfolio's diversification.  
 In the event that a purchase is outside of the diversification guidelines set forth by the client, the CCO must be immediately notified.
- G) **Review of Trading Activity**  
 The CCO, or other appropriate individual as determined by the CCO, will review and initial each trade.
- 15) **Valuation of Client Portfolio Holdings**  
 The Adopting Release for rule 206(4)-7, the investment advisor compliance program rule, states that investment advisors' compliance policies and procedures should address





processes to value client holdings and assess fees based on those valuations. It is IRC's policy to value all client portfolios fairly, accurately, and objectively. Clearing Firm accounts will be valued by that firm. Third party advisors are all registered investment advisors with the SEC or state(s) in which they are registered. IRC relies on these RIAs to perform their own valuations.

- A) Inaccurate or stale security valuations introduce a variety of risks to an advisor, including but not limited to;
  - 1) Over or under charging its fees to clients,
  - 2) Violating client investment guidelines or restrictions, such as those that limit the percentage of a particular asset or asset class that may be acquired or held in an account or restrictions on purchasing or holding illiquid securities,
  - 3) Overstating or understating performance,
  - 4) Misrepresenting potential tax liability,
  - 5) Misleading clients as to the value of their assets, and
  - 6) Misjudging when to sell or hold a portfolio position.
- B) IRC periodically reviews valuation processes of third party advisors to insure accurate pricing of client holdings.

16) Proxy Voting

Under rule 206(4)-6, advisors that exercise voting authority with respect to client securities must adopt written proxy voting policies and procedures. They must be reasonably designed to ensure that the advisor votes in the best interest of clients, and they must describe how the advisor addresses material conflicts between its interests and those of its clients with respect to proxy voting. Furthermore, an advisor's proxy voting policies and procedures should be designed to enable the firm to resolve material conflicts of interest with its clients before voting their proxies. Such obligations involve both a duty to vote client proxies and a duty to vote them in the best interest of clients. Rule 206(4)-6 also requires advisors to disclose to clients how they can obtain information from the advisor on how their securities were voted. Rule 206(4)-6 also requires advisors to describe their proxy voting policies and procedures to clients, and upon request, to provide clients with a copy of those policies and procedures. If a client requests a copy of the policies and procedures, the advisor must supply it.

- A) IRC offers only third party advisory programs and does not hold any securities in IRC's name. Therefore, IRC does not vote proxies on behalf of clients, thusly, proxy voting is the responsibility of the client.

17) Client Review & Communication

In order to properly carry out IRC's fiduciary duties to clients, IARs must be familiar with client objectives and financial needs. Regular communication with clients is the most effective way to ensure that client information is current and that a proper stated strategy is followed and current. The following parameters guide IARs in communication protocol with clients.

- A) New Client Reviews  
An initial review of all new client accounts for which IRC takes on advisory duties is conducted during the client solicitation process prior to initial account funding. This initial review is conducted by the IAR, is approved by the Supervising Principal, and begins the formal implementation of the advisory relationship.
- B) Subsequent Client Reviews  
Client reports are distributed quarterly. These reports detail client portfolio holdings and portfolio activity, if any, transpiring during the prior quarter. At least quarterly, the IAR performs a client portfolio review and documents this review in the designated client file. Furthermore, a client review may be conducted during periods of increased market volatility, when the client's investment objectives change, or when a client deposits or withdraws funds. Portfolios may receive



more frequent review under other circumstances at the discretion of the Supervising Principal. At least once per year IAR must review each client's portfolio with the client either in person, over the telephone or over the internet. These reviews must be fully documented and will be audited as part of IRC's Office Audits.

C) Client Communication

All written/electronic client communications initiated or received by Supervised Persons are reviewed by the IAR's Supervising Principal and retained in client files. Where possible, oral communications that specifically relate to any advisory services performed shall also be documented by IARs in client files.

1) IARs agree to provide duplicate copies of any and all communications, which relates directly to the client's directions/instructions relative to the provision of advisory services and to provide copies of specific communications upon request.

18) Insider Trading Policy

1) IRC is a fiduciary. Section 206 of the Advisors Act requires directors, officers, and advisory representatives of investment advisors to act in accordance with the guiding philosophy that a client's interest must always come before any personal interest of directors, officers, and IARs. Section 206 also requires an advisor's directors, officers, and IARs to avoid actual abuse and any potential abuse of their positions of trust and responsibility.

A) Accordingly, IRC's directors, officers, and IARs are prohibited from taking inappropriate advantage of their positions with their clients.

2) Section 204A of the Advisors Act requires IRC to establish, maintain, and enforce written policies and procedures designed to prevent and detect misuse of material, nonpublic information, including insider trading. IRC's procedures for preventing these abuses are contained in IRC's Code of Ethics, the Compliance Manual and the firm's written Supervisory Procedures. IRC's Code of Ethics is hereby incorporated by reference into this Compliance Manual.

A) Each director, officer, Supervised Person and employee of IRC is expected to be familiar with, and comply with, the Code of Ethics, the Compliance Manual and IRC's written Supervisory Procedures. Supervised Persons of IRC will be required, on an annual basis, to certify his or her compliance with IRC's Code of Ethics.

19) Cash Payments for Client Solicitation

IRC does not pay cash or referral fees to persons who solicit advisory clients. Supervising Principals at IRC's business locations have been delegated the primary responsibility of day-to-day supervision of IAR compliance with this policy. Additionally, they shall immediately report to IRC's CCO any suspected violation of this policy.

20) State Registration

A) State IAR registrations are required to be renewed on a timely basis. Registration and Renewal requirements vary widely from state to state. Most states renew licenses on a calendar year basis, but not all states do so. Some states renew on an anniversary date or every other year. Supervising Principals must ensure that IARs renew their registrations in those states in which they conduct business and maintain or solicit clients.

B) Before an IAR can be added as a Supervised Person of IRC, the Supervising Principal is required to send a written communication to the CCO. By forwarding this communication, Supervising Principals are notifying IRC that they are aware of the IAR's proposed investment advisor activities and will supervise them accordingly.

C) After notification is received, a review will be made to be sure the IAR meets all qualifications, including the state requirements.



- D) Please Note: Prior to the solicitation of any investment advisory services, IAR must be registered as an IAR in the states where their clients reside and/or where solicitation takes place. Upon receipt of the written notification from the Supervising Principal, IAR registration paperwork and any additional state requirements will be forwarded to the IAR for completion. The completed paperwork needs to be returned to the designated person in the home office. Once the paperwork is processed and the representative is registered as an IAR, the IAR will be notified and copies of the Firm Brochure will be provided. The IAR may not solicit business until he/she is notified that his/her IAR registration is complete.
- 21) Transaction Reporting
- A) All Supervised Persons of IRC are required under federal law to transmit to IRC, on or before the 30th day of the month following a calendar quarter a report of their personal securities transactions. In order to comply with the quarterly transaction reporting requirements, IRC requires personal securities transactions to be reported on or before the 10th day of the month following a calendar quarter.
- B) This reporting requirement applies to all accounts in which an IAR or a member of the IAR's immediate family living in the same household has a direct or beneficial interest. (*See Code of Ethics.*)
- C) The form should be completed even if the IAR did not have any transactions to report for that quarter (see the form for additional information). Copies of the forms submitted must be maintained in the IAR's own office files for review.
- D) Supervising Principals at IRC's business locations have been delegated the primary responsibility of day-to-day supervision of IAR compliance with IRC's transaction reporting policy. Additionally, Supervising Principals shall ensure that all IARs within their business locations timely file the required transaction report. IRC's senior management and the CCO will be immediately notified about any violations regarding the transaction reporting policy.
- 22) Books and Records to be maintained by Investment Advisor
- Rule 204-2 under the Advisors Act requires every investment advisor that is registered or required to be registered to make and keep true, accurate, and current the following books and records related to its investment advisory business.
- A) Corporate documents;
- 1) Articles of incorporation, charters, minute books, etc. of investment advisor and any predecessor, and
  - 2) Retention requirements - Maintain on site until at least three years after termination of the entity.
- B) Accounting records;
- 1) Books of original entry, including cash receipts and disbursements records, and any other records of original entry forming the basis of entries in any ledger,
  - 2) General and auxiliary ledgers reflecting asset, liability, reserve, capital, income and expense accounts,
  - 3) Bank account information, including checkbooks, bank statements, canceled checks and cash reconciliation,
  - 4) Bills and statements, paid or unpaid, relating to the business of the Advisor,
  - 5) Trial balances, financial statements, internal audit working papers, and
  - 6) Retention requirements - 5 years, first 2 years on site, last three in a place easy to access.
- C) Trading and Account Management records;
- 1) Trade Tickets,



- 2) Research Files,
  - 3) Purchase and Sale records,
  - 4) Client Security positions, and
  - 5) Retention requirements - 5 years, first 2 years on site, last three in a place easy to access.
- D) Proxy Voting records,
- 1) IRC does not exercise voting authority with respect to client securities, and
  - 2) Retention requirements - 5 years, first 2 years on site, last three in a place easy to access.
- E) Client Relationship records;
- 1) Form ADV-Part II (Firm Brochure),
  - 2) Advisory and other contracts,
  - 3) Fee Schedules,
  - 4) Client Investment Objectives,
  - 5) Directed Brokerage and Soft Dollar Agreements,
  - 6) Written communications including emails,
  - 7) Complaint File,
  - 8) Quarterly reviews,
  - 9) Annual in-person review,
  - 10) Retention requirements - 5 years, first 2 years on site, last three in a place easy to access.
- F) Marketing and Performance records;
- 1) Marketing Materials,
  - 2) Supporting Memoranda,
  - 3) Performance Numbers, and
  - 4) Retention requirements - Entire period of track record, plus 5 years from year last published, first 2 years on site, last three in a place easy to access.
- G) Personal Securities Transactions;
- 1) Holdings reports,
  - 2) Transaction reports, and
  - 3) Retention requirements - 5 years, first 2 years on site, last three in a place easy to access.
- H) Code of Ethics;
- 1) Copies of the Code of Ethics,
  - 2) Violations of the Code of Ethics,
  - 3) Written acknowledgement of the Code of Ethics, and
  - 4) Retention requirements - the copies of the Code of Ethics must be maintained permanently. Any violations and written acknowledgements must be maintained 5 years, first 2 years on site, last three years in a place easy to access.
- I) Compliance policies and procedures;
- 1) Copies of policies and procedures,
  - 2) Annual Review documentation, and
  - 3) Retention requirements - the copies of the compliance policies and procedures that were in effect at any time currently and during the previous 5 years must be maintained.
    - 1) Annual review documentation – 5 years, first 2 years on site, last three years in a place easy to access.
- J) SEC Filings and Correspondence
- 1) Form ADV, including all amendments
  - 2) Retention requirements – indefinitely on site.



- K) Cash Solicitation records
    - 1) Solicitation Agreements
    - 2) Solicitor's Disclosure Documents and Acknowledgements
    - 3) Retention requirements - 5 years, first 2 years on site, last three in a place easy to access.
  - L) Overall responsibility for assuring that all IRC IARs comply with IRC's books and records policies belongs to IRC's CCO. However, IRC's CCO may delegate day-to-day supervision of IAR compliance with these policies. Supervising Principals at IRC's business locations have been delegated the primary responsibility of day-to-day supervision of IAR compliance with IRC's books and records policies. Supervising Principals at IRC's business locations shall immediately report to the CCO and correct any violation or deficiency relating to IRC's books and records policies.
- 23) Safeguarding Client Confidential Information
- A) Safeguarding confidential information is essential to the conduct of IRC's business. Caution and discretion must be exercised in the use of this information, which should be shared only with IRC associates or a contracted third party affiliate who have a clear and legitimate need and contractual right to know.
  - B) Accordingly, no associate of IRC shall disclose confidential information of any type to anyone, except persons within IRC who have a need to know this information. Information regarding a customer may not be released to third parties, government officials, or officials of other organizations, without the consent of the customer, unless required by law.
  - C) Client personal information can only be emailed as an encrypted attachment.
  - D) All email attachments that contain customer information, or other like personal information, must be encrypted using Adobe Acrobat and the assigned password "1917market".
    - 1) Representatives are prohibited from otherwise encrypting emails or email attachments.
  - E) Portable media devices must be encrypted (256-bit or higher). This includes, but is not limited to, CDs, DVDs and Flashcards.
  - F) All computers with an outside connection, i.e. internet connections, must utilize, at a minimum, Virus Protection software that;
    - 1) updates itself automatically
    - 2) automatically scans emails
    - 3) automatically scans the computer for malicious files, and, continually utilizes current Firewall hardware or a current Firewall software program.
  - G) No computer may use a wireless (WiFi) network or internet connection unless an advanced encryption program (256-bit or higher) is in constant use.
  - H) All unauthorized access, without regard to severity, will immediately be reported in full to the Firm's Chief Compliance Officer without delay.
  - I) Overall responsibility for assuring that all IRC IARs comply with IRC's policies regarding client confidential information belongs to IRC's CCO. However, IRC's CCO may delegate day-to-day supervision of IAR compliance with such policies. Supervising Principals at IRC's business locations have been delegated the primary responsibility of day-to-day supervision of IAR compliance with IRC's policies regarding client confidential information.
  - J) Supervising Principals at IRC's business locations shall immediately correct any violation or deficiency regarding these policies at his/her business location and shall immediately notify IRC's CCO accordingly. Supervising Principals at IRC's business locations are responsible for ensuring all client files and records are returned to IRC in the case of a terminated IRC IAR. All client files are the property of and proprietary to IRC.



- K) The Operations department shall immediately correct any violation or deficiency related to these policies and shall promptly notify IRC's CCO accordingly.
- 24) Home Office Record Review Procedures
- A) Required Records
- 1) IRC prepares and keeps current all records relating to IRC's advisory business as required by rule 204-2 under the Advisors Act and any other applicable law. These include;
    - a) Journals (records of original entry),
    - b) General and Auxiliary ledgers,
    - c) Security Order Memoranda,
    - d) Cash Receipts and Disbursements Journals,
    - e) Check Books and Bank Statements,
    - f) Record of Receivables and Payables,
    - g) Balance Sheets,
    - h) Trial Balances and Financial Statements,
    - i) Correspondence and Written Communications including emails,
    - j) Complaints,
    - k) Powers of Attorney,
    - l) Advisory Agreements, and
    - m) Advertisements.
  - 2) In addition to the records identified above, IRC also maintains transaction records in the form of client "holding records" and "security cross-index records" for each client receiving portfolio management services. A "holding record" is a journal listing purchases and sales by client, while a "security cross-index record" is a journal of transactions arranged by security.
- B) Record Retention
- 1) Pursuant to rule 204-2 under the Advisors Act, all the books and records of IRC identified above shall be preserved in an easily accessible place for a period of not less than five years from the end of the fiscal year during which the last entry was made on a record. For the first two years of the five-year period, these records are to be maintained in an easily accessible place in IRC's offices.
  - 2) To ensure compliance with rule 204-2, no record shall be destroyed until six years have elapsed after the closing of any client account. These records will be subject to review during the annual inspection of IRC's business locations.
- C) Complaint Files
- 1) Complaints must be kept in a separate complaint file, and copies must be sent immediately upon receipt to IRC's CCO or his delegate. These records and files must be kept for a period of not less than five years from the end of the fiscal year during which the last entry was made. For two years, these records must remain in an office or an easily accessible place for periodic inspections by the SEC Staff. These records will be subject to review during the annual inspection of IRC's business locations.
  - 2) The CCO has been delegated the primary responsibility of ensuring that all legally required records (indicated above), including transaction records, are established and are posted on a current basis. Additionally, the CCO has been delegated the day-to-day responsibility for review and approval of all investment advisory contracts with focus on detecting such illegal or unethical business practices as those indicated below;



- a) Exercise of discretion in placing an order for the purchase or sale of securities of a client (review of investment advisory agreement),
  - b) Placing an order to purchase or sell securities for the account of a client on instruction of a third party without having obtained written third-party trading authorization (review of correspondence),
  - c) Inducement of trading in a client's account that is excessive in size or frequency in view of the financial resources and character of the account (quarterly review of portfolio reports),
  - d) Placing an order to purchase or sell a security for the account of a client without authority to do so (quarterly review of unauthorized or irregular transactions and withdrawals shown on quarterly portfolio reports),
  - e) Maintaining custody or possession of any client's funds or securities (requires immediate attention if detected),
  - f) Making purchases of a security for a representative's own account or for the account of a member of the representative's immediate family living in the same household shortly before recommending or purchasing the same security for a client, and then shortly afterwards selling the security for the representative's own account or for the account of such an immediate family member (review of representative's transaction reports and security cross-index records of clients),
  - g) Falsifying any information within IRC's records pertaining to a client's account, including a client's name or address (pursue immediately upon receipt of information), and
  - h) Disclosing to third parties any information received from a client, including the client's name, unless obligated to do so by law, or unless permission of the client is obtained prior to providing the information (pursue immediately upon receipt of information).
- 3) The Supervising Principals at IRC's business locations should report to IRC's CCO any activity which may be illegal or deemed to be an unethical business practice by an IAR of IRC, including, but not limited to the following;
- a) Inducement of trading in a client's account that is excessive in size or frequency in view of the financial resources and character of the account (quarterly review of portfolio reports),
  - b) Making recommendations to clients for purchase, sale, or exchange of any security without reasonable grounds to believe that the recommendations are suitable on the basis of information furnished by the client after inquiry concerning the client's investment objectives, financial situation and needs (quarterly review of portfolio reports),
  - c) Borrowing money or securities from or lending money or securities to a client (requires immediate attention if detected), and
  - d) Making representations that an individual is an IAR or other qualified personnel when the representation does not accurately describe the nature of the services offered, the qualifications of the person offering the services, and the method of compensation for the services.



- 4) Rule 206(4)-7 requires IRC to review its compliance policies and procedures annually to determine the adequacy and the effectiveness of their implementation. The CCO shall be responsible for the annual review of IRC's compliance policies and procedures, consult with the Firm's Legal Counsel when needed, and shall maintain all documents for verification. Further, the CCO shall ensure that the review of IRC's records and record-keeping procedures takes place on an annual basis. Accordingly, IRC's CCO or his delegates will direct an annual inspection of IRC's business locations. Written reports of these inspections shall be sent to IRC's CCO and shall be retained in accordance with applicable laws, rules and regulations.
- 25) Regulatory Inspections & Press Inquiries
- A) Regulatory Inspections
    - 1) Section 204 of the Advisors Act gives the SEC authority to examine an investment advisor's books and records. The SEC maintains an extensive regular on-site inspection program for investment advisors. IRC anticipates that a regular inspection will occur at least every three to five years. The SEC staff will usually send a pre-inspection letter outlining the books and records that IRC should have ready for review. The SEC staff usually requests;
      - a) Copies of IRC's Form ADV,
      - b) Information on types and sizes of IRC's accounts,
      - c) Information about clients advised by IRC,
      - d) IRC's books and records,
      - e) IRC's compliance procedures,
    - 2) IRC's CCO is designated as the contact person for the SEC inspection staff. IRC's CCO will provide requested information and will keep copies of the materials provided. IRC's CCO will be present at the entry interview to determine the scope of the examination and will request an exit interview.
    - 3) Generally, within ninety (90) days of the inspection, the SEC staff will send either a "no further action letter" or a "deficiency letter" to the investment advisor. A deficiency letter requests that the investment advisor describe in writing the corrective measures taken in response to the deficiencies set forth in the letter. After consulting with the Firm's Legal Counsel IRC's CCO shall be responsible for responding to a deficiency letter within the time frame requested.
    - 4) In the event an individual from any federal, state or self-regulatory organization contacts IRC (either in writing, via electronic means, or by telephone) or arrives for an inspection of any of IRC's business locations, the Supervising Principal, senior management and the CCO must be notified immediately. Likewise, in the event of any inquiry from any member of the press, any and all such inquiries must be referred to the Supervising Principal and the CCO immediately.
    - 5) Such notifications must be acknowledged in real time. No Supervised Person is permitted to talk to a representative of a regulatory entity or a member of the press without prior approval from the CCO.
    - 6) The CCO shall retain records of all communications with regulatory authorities. All IARs and Supervising Principals shall forward relevant documents to the CCO for recordkeeping purposes.





26) Definition of Key Terms

A) This section of the Compliance Manual provides you with clarification of key terms that are used throughout this document.

*12b-1 Fees*

A provision that allows a mutual fund to collect a marketing or service fee from investors. This fee is designated for promotions, sales, or any other activity connected with the distribution of the fund's shares. It may also be charged for shareholder support services. The fee must be reasonable: 0.5% to 1% of the fund's net assets, and up to a maximum of 8.5% of the offering price per share.

*Access Person*

(a) all Supervised Persons of the Company who have access to nonpublic information regarding any Client's purchase or sale of securities or nonpublic information regarding the portfolio holdings of any reportable Fund, and (b) all Supervised Persons of the Company who are involved in making securities recommendations to Clients or who have access to such recommendations that are nonpublic. Access Persons are also considered to be Access Persons with respect to securities, transactions and accounts (a) by and of Immediate Family members living in the same household as the Access Person, and (b) in which the Access Person has a direct or indirect beneficial interest (such as a trust). If the primary business of the Company involves the provision of investment advice, then the officers and directors of the Company are presumed to be Access Persons for the purposes of the Code of Ethics.

*Agency Cross transactions*

Means a transaction in which an investment advisor, or any person controlled by, or under common control with such investment advisor, including an investment advisor representative, acts as a dealer for both the advisory client and the person on the other side of the transaction.

*Average Pricing*

A representative measure of a range of prices that is calculated by taking the sum of the values and dividing it by the number of prices being examined.

*Employee Retirement Income Security Act (ERISA)*

protects the retirement assets of individuals by implementing rules that qualified plans must follow to ensure that plan fiduciaries do not misuse plan assets.

*Fiduciary*

A person legally appointed and authorized to hold assets in trust for another person. The fiduciary manages the assets for the benefit of the other person rather than for his or her own benefit.

*Front Running*

The unethical practice of a broker who is aware of an order to buy or sell and buys or sells the same security for his or her own account ahead of the customer's order.

*Managed Accounts*

An investment account that is owned by an individual investor and looked after by a hired professional money manager for an annual management fee that typically includes all account services.

*Net Asset Value (NAV)*

The value of a fund's investments. For a mutual fund, the NAV per share is the total market value of all securities held by the fund divided by the number of the fund's outstanding shares. The NAV does not include sales or redemption charges.

*Order Ticket*

A form detailing an order instruction by a customer to a broker for the purchase or sale of a security with specific conditions.



*Principal Trading*

A type of order carried out by a broker-dealer which involves the broker dealer buying or selling for its own account and at its own risk, as opposed to carrying out trades for the broker/dealer's clients.

*Proxy Vote*

A vote cast by one person or entity on behalf of another.

*Security Cross/ Index Record/ Reflecting*

For each security, the name and account number of the customer and the current amount or interest owned by each customer.

*Supervised Person*

Any partner, officer, director, Access Person (or other person occupying a similar status or performing similar functions), or employee of the Company, or other person who (i) provides investment advice on behalf of the Company, (ii) is registered as an investment advisor representative by and through the Company, or (iii) who may be subject to the supervision and control of the Company.

*Wrap Fee Program*

Is usually used to describe a number of investment services that are bundled together and covered by a single fee.

- 27) Incorporation of Codes/Policies by Reference
- A) The following Codes/Policies of IRC are incorporated by reference in this Compliance Manual.
    - 1) Code of Ethics
    - 2) Insider Trading Policy
    - 3) Privacy Policy
    - 4) Business Continuity Plan
    - 5) Anti-Money Laundering Policy
    - 6) Customer Identification Program
- 28) Managing Client's Portfolios
- A) Client Portfolios must be managed with the client's suitability and investment objectives in mind as well as on a consistent basis and within the client's wishes. Conflicts that arise due to client instructions, such as acting outside the client's investment objectives, must be documented in writing prior to any such action.
  - B) When allocating investment opportunities between clients it must be done so in a fair and reasonable way and must be fully documented in writing.
  - C) Any and all disclosures and restrictions on a portfolio or security must be made to the client in full and documented in writing.
- 29) Referral Fees
- It is IRC's policy not to pay referral fees.
- 30) Privacy
- A) IRC has in place policies and procedures to protect customer information and privacy, as well as the opportunity for customers to choose how their information may be shared. This information will be included with all initial purchases and will also be sent to all clients on an annual basis.

The basic reason that IRC collects and maintains shareholder information is to enable it to serve the client and his/her administrator to their account(s) in the best way possible. IRC collects nonpublic personal information about the client from the following sources:

    - 1) Information it receives from him/her on applications or other forms, such as name, address, age, social security number, and name of beneficiary,
    - 2) Information about the client's transactions with IRC, its affiliates and others, such as the purchase and sale of securities and account balances.



- B) WCB is committed to preventing others from unauthorized access to personal information, and it maintains procedures and technology designed for this purpose. Some of the steps IRC takes to protect the information it has about the client include the following:
- 1) IRC updates and tests its technology on a regular basis in order to improve the protection of shareholder information.
  - 2) IRC requires outside companies and independent contractors with whom it has agreements to enter into a confidentiality agreement that restricts the use of the information to those purposes and prohibits independent use of the information to specified purposes.
  - 3) IRC has internal procedures that limit access to shareholder information, such as procedures that require an employee to have a business need to access shareholder information. IRC also maintains policies about the proper physical security of workplaces and records. IRC's physical, electronic, and procedural safeguards comply with federal regulations regarding the protection of shareholder information.
  - 4) IRC protects the integrity of shareholder information about the client through measures such as maintaining backup copies of account data in the event of power outages or other business interruptions, using computer virus detection and eradication software on systems containing shareholder data, installing computer hardware and software, and employing other technical means to protect against unauthorized computer entry into systems containing shareholder information.
- C) Clients have choices about how their shareholder information may be shared. Account holders may exercise these choices at any time.
- D) If shareholders have opted out of information sharing previously, it is not necessary to do so again.
- 1) Option 1 - Outside Companies
    - a) IRC may share limited shareholder information under special agreements with outside financial service providers in order to offer shareholders financial products that it typically does not offer itself.  
If clients prefer that IRC does not share this information with these outside financial service providers for these purposes, they may choose to opt out. Clients may direct the Firm at any time not to disclose this information to these outside providers for marketing purposes.
  - 2) Option 2 - Within our WCB Family
    - 1) IRC uses and shares client information within its internal network system to help IRC identify and provide information to help it meet financial needs and offer the right products and services to its clients.  
If clients prefer that IRC does not share their personal information within its internal network system for these purposes, they may choose to opt out. They may direct IRC not to disclose this information internally to determine eligibility for such products and services. If clients wish to opt out of this type of sharing, they should simply notify IRC and their request will be honored by it.
- 31) Direct Brokerage Agreements  
Direct Brokerage Agreements require CCO approval in writing prior to executing the agreement.



32) Prohibited Practices

The following partial list of practices is against applicable regulations. IARs who engage in these activities may be subject to significant action(s) by IRC and state and federal agencies.

- A) Reverse Churning  
Putting investors in accounts that pay a fixed fee but generate little or no activity to justify that fee. Realizing that this is not a one-on-one comparison; if account activity is low the advisor must be able to justify and show that the fees the client is paying are fair and reasonable.
- B) Double-Dipping  
Advisers who generate significant commissions within a client's brokerage account, then move that client into an advisory account and collect additional fees.
- C) Front Running  
Front running is the illegal practice of a stockbroker executing orders on a security for its own account while taking advantage of advance knowledge of pending orders from its customers.
- D) Establishing false or fictitious accounts.
- E) Entering false information on a customer account.
- F) Entering orders without the consent of the customer.
- G) Selling under the auspices of another broker dealer without the approval of the Firm.
- H) Soliciting or accepting business in jurisdictions without being licensed in that jurisdiction.
- I) Customer accounts which are "spaced" among different fund groups in products with similar objectives, unless a written letter of understanding is obtained.
- J) Customer accounts which show the Investment Advisor's home or business address as the address of record.
- K) Displaying a Investment Research Corporation sign at a business location, whether home or office, or otherwise holding him or herself out to the public as an office of the Firm without the benefit of branch office registration.
- L) Accepting a customer check for the payment of securities made payable to a personal account or accounts controlled by the Investment Advisor.
- M) Converting customer funds or assets for personal use.
- N) Failure to clear customer orders through the Firm's Main Office.
- O) Withholding a customer order.
- P) Trading securities on the basis of insider information.
- Q) Withholding customer mail.
- R) Borrowing or loaning of securities or funds between the Investment Advisor and a customer.

33) Branch Office

Branch offices are subject to an audit at least every three years by the Main Office to consist of a review of at a minimum:

- A) Supervisory Procedures
- B) Evidence that the Main Office is the Office of Supervisory Jurisdiction (a sign posted in a prominent place)
- C) Safeguarding customer funds and securities
- D) Maintenance of books and records
- E) Customer accounts serviced by the branch
- F) Fund transmittal records
- G) Validation of customer address changes
- H) Validation of customer account information changes including address changes
- I) Audits performed by the Branch Manager



- J) Form BR.
- K) Plus any other item or items which may include an audit of additional books and records and any other compliance related items.

If an IAR does not engage in all of the activities enumerated above, the IAR must identify those activities in which it does not engage in the written inspection report and document in the report that supervisory policies and procedures for such activities must be in place before the IAR can engage in them.

The annual audits are generally performed the CCO but may be performed by another qualified individual.

The annual audit process is tentatively scheduled to begin typically in April or May. However, this is a tentative time frame only and the audit may be scheduled for another time period if the need should arise. Audits may also be increased or decreased in frequency, as allowed by regulations, and announced or unannounced as the Firm deems necessary.

The results of each audit will be recorded in a written report that will be kept on file at the Main Office for a time period not less than three years or until, at a minimum, the next audit is performed.

34) Operational Procedures

A) Shared Expenses

All shared expenses will be governed by the signed agreements between IRC and the other contracting party.

Prior to transfer of monies resulting from shared expenses two people, one of who must be a senior member of management, must verify that:

- 1) The expenses fall within the guidelines of the agreement(s).
- 2) The amounts are correctly allocated according to the agreement(s).
- 3) The total amount due balances.

Preparing and verifying individuals must initial and date the work paper(s) evidencing such.

These work papers will be provided to the board of the other contracting party upon request.

B) Shared Information

IRC will share information necessary, and as requested, to the boards of other companies that they have entered into agreements with as deemed necessary and appropriate by the CCO. The CCO will review and approve the requested material prior to its delivery.

In general, it is the duty of an investment adviser to furnish, such information as may reasonably be necessary to evaluate the terms of any contract whereby a person undertakes regularly to serve or act as investment adviser of a company.

C) Research

IRC does not engage outside sources for research purposes.

Section 28(e)(3) provides that a broker is deemed to provide brokerage and research services if the broker; furnishes advice, either directly or through publications or writings, as to the value of securities, the advisability of investing in, purchasing, or selling securities, and fee schedules of securities or purchasers or sellers of securities; furnishes analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and the performance of accounts; and effects securities transactions and performs functions incidental thereto (such as clearance, settlement, and custody) or if required by rules of the SEC or a self-regulatory organization.

D) Good Faith

IRC shall act "in good faith" in exercising investment discretion.

E) Hedge Funds

IRC and its clients/advisors do not purchase or sell Hedge Funds.



- F) Disclosure of Financial and Disciplinary Information  
 Rule 204(4) makes it unlawful for an investment adviser which has discretionary authority over client accounts to fail to disclose all material facts relating to: (i) any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients; or (ii) a legal or disciplinary event that, is material to a client's evaluation of the adviser's integrity or ability to meet its contractual commitments.
- G) Non-Trading Errors  
 When a mistake is suspected, the problem should be analyzed and verified as soon as possible.  
 Many apparent errors are found not to be errors upon detailed examination. If an error truly has occurred, it must be brought to the attention of the Chief Compliance Officer and senior IRC management immediately.  
 The next step is to determine if it has affected any client of IRC in a material way. Mistakes that result in a gain to a client almost always result in the client being allowed to keep the accidental benefit received. Errors that result in a loss to the client may or may not result in IRC making the client whole. The Securities and Exchange Commission recognizes that mistakes can occur, and need not be corrected in all circumstances. For example, errors in pricing individual securities may or may not materially affect the calculation of net asset value per share (NAV) of a mutual fund. If the error causes the actual NAV to be materially different than the calculated and announced NAV, there may be legal and monetary issues involved.  
 Errors involving the IRC client mutual funds are required to be reported to the Board of Directors of the Fund.  
 Generally, it is the policy of the IRC to correct any mistake involving a regulatory requirement as soon as possible after it is discovered. Similarly, mistakes that result in a material loss to a client are to be corrected as soon as possible after the amount is verified. Mistakes that do not involve either a regulatory requirement or a material loss to a client generally do not result in a correcting payment by the AND. The first decision on whether a correcting payment must be made, and in what amount, is the determination of the Fund's CCO.
- I) Mutual Fund Compliance Responsibilities  
 The portfolio manager of the Fund is responsible for assuring that:
- 1) every investment selection for the Fund's portfolio is made in accordance with the Fund's investment objectives, policies and restrictions as set forth in the Fund's prospectus and statement of additional information;
  - 2) investment selections for a Fund's portfolio are supported by investment research;
  - 3) borrowings by the Fund, if any, comply with policies and restrictions as set forth in the Fund's prospectus and SAI;
  - 4) turnover is within parameters set forth in the Fund's registration statement;
  - 5) records are maintained and kept current regarding research materials, investment authorizations and investments in illiquid securities and in derivatives; and
  - 6) compliance is maintained with the duties assigned to the portfolio manager and the standards and guidelines set forth in the policies and procedures adopted by IRC.
- The Trading Department is responsible for assuring that:
- 1) every portfolio transaction for a Fund is made with an effort to obtain the best price and execution;



- 2) transactions in OTC securities are affected only with market makers unless a better price is otherwise obtained;
- 3) records of all orders placed with brokers and dealers are maintained;
- 4) compliance is maintained with the duties assigned to the Trading Department and the standards and guidelines set forth in the policies and procedures adopted by IRC.

The Accounting Department is responsible for:

- 1) maintaining internal accounting controls;
- 2) monitoring compliance with diversification requirements of the Internal Revenue Code and monitoring compliance with the diversification requirements of the 1940 Act and for monitoring compliance with regulations applicable to leveraged transactions;
- 3) maintaining records regarding brokerage orders, diversification requirements, lending of portfolio securities, repurchase agreements and leveraged transactions.

The Compliance Department is responsible for:

- 1) maintaining on a current basis IRC's Form ADV and this Manual.

J) Blue Sky

The term "blue sky" refers to the process of qualifying offers and sales of securities in the states or other jurisdictions in which the issuer (or other) desires to sell the securities. It also encompasses the myriad of other filings and information requirements necessary to complete and/or continue such qualification.



## Exhibits

Compliance Manual Acknowledgement of Receipt  
Advisory Agreement Addendum  
IRC Brochure (Form ADV II)  
IRC Application  
IRC Code of Ethics  
IRC Business Contingency Plan





**Acknowledgement of Receipt**

Investment Research Corporation  
dba. World Capital Brokerage Advisory Services

**Compliance Manual**

**From:**

\_\_\_\_\_  
*Supervised Person's Name (please print)*

\_\_\_\_\_  
*CRD#*

This is to acknowledge that I have received the Investment Research Corporation, dba World Capital Brokerage Advisory Services', Compliance Manual. I confirm that I have carefully read and fully understand my duties, responsibilities and obligations as specified in this Compliance Manual. I will contact my immediate supervisor with any questions or concerns I may have regarding the material in Investment Research Corporation, dba World Capital Brokerage Advisory Services', Compliance Manual or my responsibilities under federal or state laws and regulations as well as all Investment Research Corporation, dba World Capital Brokerage Advisory Services', policies.

\_\_\_\_\_  
*Supervised Person's Signature*

\_\_\_\_\_  
*Date*



**Advisory Agreement Addendum**  
Investment Research Corporation  
dba. World Capital Brokerage Advisory Services

\_\_\_\_\_  
*Client*

\_\_\_\_\_  
*Date of Birth*

I understand that Investment Research Corporation, dba World Capital Brokerage Advisory Services, ("Firm") may not assign the Advisory Agreement without my consent.

I confirm that I have received, reviewed and understand the Firm's Brochure / ADV Part II.

I confirm that I have received information relevant to the type(s) of my assets that will be managed by the Firm as well as my limitations when selecting Broker/Dealers, what advisor fees I will be or could be responsible for, and other terms relevant to the relationship between myself and my Investment Advisor Representative.

I also understand that that I can terminate the Advisory Agreement within the first five business days without penalty.

\_\_\_\_\_  
*Client Signature*

\_\_\_\_\_  
*Date*

\_\_\_\_\_  
*Investment Advisor Representative Name*

\_\_\_\_\_  
*CRD#*



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