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Arete Wealth Advisors, LLC.
Form ADV Part 2A – Disclosure Brochure
December 31, 2011

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This brochure provides information about the qualifications and business practices of Arete Wealth Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (847) 658-8366. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about us at the SEC's website www.adviserinfo.sec.gov.

Item 2 – Material Changes

Our last annual update was filed December 31, 2011. We are updating our Form ADV Part 2A – Disclosure Brochure to update Item 4 – Advisory Business and Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.

Material changes to the brochure since Arete Wealth Advisors December 31, 2011 annual filings include:

- We now participate in a wrap fee program sponsored by TD Ameritrade
- We now offer Corporate Stock Option Plan Management Services Concentrated Stock Management Strategies and Option Overlay Strategies to our clients. See Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss. We are also updating Item 12 – brokerage practices to incorporate TD Ameritrade disclosure language.

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Item 4 – Advisory Business

The Company

Arete Wealth Advisors, LLC ("we," "us" or "Arete") has offered professional asset management services since it was formed in 2007.¹ We have been registered with the SEC since January 2009.

We are owned by our employees and investment adviser representatives both directly and indirectly by our parent holding company, Old Growth Capital, LLC ("Old Growth Capital"). Our principal owners are Joshua Rogers, President, and Jonathan Greer, managing member of Old Growth Holdings, LLC that is an indirect owner of over 25%.

Advisory Services

Investment Supervisory Services

We provide continuous investment management services to individuals, pension and profit sharing plans, trusts, estates and charitable organizations and other corporate and business organizations. Our portfolio management services are based on the client's goals, objectives, time horizon, and risk tolerance. Our investment management services include:

- Investment strategy
- Personal investment policy
- Asset allocation
- Asset selection
- Regular and/or continuous portfolio monitoring

We will evaluate the current investments of each client with respect to their risk tolerance levels and time horizon. We will typically request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction.

We also make available some asset allocation models developed on a proprietary basis by Investment Advisor Representatives of Arete. One such group of technically “discretionary” but 100% rule-based global dynamic asset allocation (GDAA) models is organized as separately managed accounts. Though the models are managed without customization at the account level,

¹ Registration as an investment adviser does not imply a certain level of skill or training.

each client's advisor may or may not choose to recommend them as part of that client's customized investment mix.

Wealth Planning

We provide a full range of wealth management services to our individual clients. In addition to investing your assets, we provide you with advice, assistance and education on topics like:

- equity and fixed income investing (asset allocation)
- insurance
- estate planning
- retirement planning
- college savings
- wealth transfer between generations and to charitable organizations
- family office services
- private asset management

Tailored Advisory Services

All of our clients may impose restrictions on investing in certain securities, industries or sectors. You must advise us of any such restrictions in writing. In other respects, we individualize our services differently depending on the nature and type of client (i.e. individual, pension plan, charitable organization or other).

Pension Plans, Charitable Organizations, Trusts and Estates

Generally, our pension plan, charitable, and trust and estate clients provide us with an investment policy to follow, which we regularly review. We invest your assets in accordance with your investment policy.

Individual Clients

Our relationships with our clients are in-depth and personalized. We tailor our advisory services to meet each client's particular needs. We work directly with you and your other advisers to build and protect your wealth over the long term.

We ask you to complete an investor questionnaire to assist us in developing investment objectives that reflect your unique goals, liquidity requirements, risk-tolerance and time horizon. We refer to this as your Investment Policy Statement. You may have multiple accounts with us,

and each may have different investment objectives. We review your questionnaire periodically (at least annually) to be sure the objectives continue to meet your particular needs and goals. Risk tolerance levels will be documented in the Investment Policy Statement that we prepare and will be given to you.

In this process, we also assist you in developing appropriate allocation objectives. However, market volatility can sometimes change asset values. When this happens, the values of your assets may become inconsistent with your desired allocation objective. If we think it is appropriate, we will rebalance your portfolio to align with your allocation objectives. Rebalancing your portfolio can lead to additional trading costs.

One exception to this is the global dynamic asset allocation (GDAA) models discussed earlier. These models re-evaluate their allocations at strict pre-determined intervals, typically monthly, and are based entirely on quantitative rules governing security selection and allocation percentages. (Execution costs are mitigated using methods discussed under Fees and Compensation later in this brochure.)

Subadvisory Relationships

We may recommend all or a portion of your assets in an account be managed by a third-party money manager or subadvisor. We will ask that you authorize us to use our discretion in selecting or changing an outside money manager or subadvisor without your prior notice unless you direct us otherwise. In some cases, for greater transparency, this combined fee may be separately itemized on your statements, one part showing the subadvisor's subcomponent.

Wrap Fee Program

Wrap fee programs combine investment advisory service charges and transaction charges in a single asset based fee. We participate in TD Ameritrade's wrap fee program. Typically, TD Ameritrade charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions).

TD Ameritrade enables us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. TD Ameritrade's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by TD Ameritrade may be higher or lower than those charged by other custodians and broker-dealers.

We receive a portion of the wrap fee as compensation for the investment advice provided by our Investment Advisory Representative and for administering the wrap fee program.

Assets Under Management

On December 31, 2011 we had approximately \$189 million in assets under management. We manage almost all of these assets on a discretionary basis.

Item 5 – Fees and Compensation

Amount of Our Fees

Investment Supervisory Services

We calculate our fees as a percentage of assets we manage for you. Fees are generally negotiable if the value of all your related accounts with us is more than \$1MM. Some clients pay more or less than others depending on certain factors, including type and size of the account, the range of additional services provided to the client, and the total amount of assets managed for a group of related clients. Your fee is specified in your arrangement with us. Our standard fee schedule for both individual and non-individual clients is the following:

ASSETS UNDER MANAGEMENT	<i>MAXIMUM ANNUAL FEE</i>
\$0* - \$249,000	3.00%
\$250,000 - \$749,999	2.50%
\$750,000 - \$1,499,999	2.00%
\$1,500,000 - \$4,999,999	1.75%
\$5,000,000 and over	1.50%

*We require a \$50,000 initial minimum account balance which we may waive based upon the individual needs and complexity of the particular client situation. Your final fee schedule will be attached to your advisory agreement with us.

Wealth Planning

We charge either an hourly fee or a fixed fee for our Wealth Planning services (as defined above). Hourly fees and fixed fees for these services are negotiated between you and our independent investment adviser representative. Your agreed upon fee structure is disclosed in your advisory contract with us.

Payment of Fees

Individual and Institutional Clients

We deduct our fees directly from your account at the end of each month or quarter, unless we both agree otherwise. You may terminate our account within five (5) days written notice. We do not have a refund policy because our fees are charged in arrears. There is no fee owing or penalty should you choose to terminate your account within five (5) days of opening your account.

Subadvisors

Subadvisory or third party money management fees will be paid by us from the fees we charge you on the assets we have under management unless you direct us otherwise.

Wealth Planning

Wealth Planning fees are charged on either a fixed fee or hourly rate basis. You will negotiate the terms of payment directly with our independent investment adviser representative. For example, payment may be at the conclusion of a specific service or project or upon receipt of periodic invoicing (i.e. monthly or quarterly).

Ticket Charges

You are charged a per transaction ticket charge. The amount of the charge depends on the particular negotiated fee our representatives negotiate with your custodian. These fees result in no income to us and are a direct flow through of charges that the custodian uses to offset the costs of performance reporting, general trade handling costs, and confirmation costs.

One exception to this is the global dynamic asset allocation (GDAA) models discussed earlier. To mitigate the impact on execution costs of these models' frequent portfolio changes, these accounts instead use a fixed annual percentage-of-assets execution fee, assessed quarterly in arrears, regardless of the number of executions. That execution fee is currently 0.15% annually (with a \$100 annual per account minimum), based on the average ending account balance of the three months in the quarter. [To accommodate very small accounts, we also offer somewhat more limited models with no asset-based execution fee using exchange-traded funds (ETFs) specified by the custodian that incur no ticket charges if held for 30 days or more.]

Other Fees

Clients may pay other expenses in addition to the fees paid to Arete. For example, clients may pay costs such as transaction fees, custodial fees, transfer taxes, wire transfer fees, and other fees and costs charged to brokerage accounts and securities transactions, which are unrelated to the fees collected by Arete. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in the fund's prospectus and/or financial filings. Clients should review the fees charged by a particular fund and the fees charged by us to understand the total amount of fees paid in mutual funds.

Mutual Fund Fees

Fees you pay us for advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed to assist the client in determining which mutual fund or funds are most appropriate for a particular client based upon their specific financial objectives. Clients should review both the fees charged by the funds and our fees to fully understand the total amount of fees being charged for our advisory services.

Item 6– Performance-Based Fees and Side-By-Side Management

We do not charge performance-based fees.

Item 7 – Types of Clients

We generally provide advice to the following types of clients:

- Individuals
- pension and profit sharing plans
- trusts, estates and charitable organizations
- other corporate and business entities.

Generally, we require a \$50,000 initial minimum account balance. We may waive the requirement based upon your needs and complexity of account.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies Used to Manage Your Assets

Methods of Analysis

We use the following methods of analysis in formulating our investment advice:

Charting

In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and/or reverse.

Fundamental Analysis

We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

Technical Analysis

We analyze past market movements and apply that analysis to present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

Cyclical Analysis

In this type of technical analysis, we measure the movement of a particular stock against the overall market in an attempt to predict the price movement of the security.

Quantitative Analysis

We use mathematical models to make probabilistic forecasts based on observed correlations between (a) quantifiable data (whether fundamental or technical or both) at one point in time and (b) subsequent price changes of individual securities or market indices of interest.

One risk is that an observed correlation, though real, may later change. Another risk is that the observed correlation later may prove to have been only coincidental and not causally related.

Qualitative Analysis

We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data.

A risk in using qualitative analysis is that our subjective judgment may prove incorrect.

Asset Allocation

Rather than focusing primarily on securities selection, we attempt to identify an appropriate ration of securities, fixed income, and cash suitable to the client's investment goals, time horizon and risk tolerance.

The global dynamic asset allocation (GDAA) models discussed earlier differ slightly from this general statement. They do use index-based exchange-traded funds (ETFs) in order to participate in diversified asset classes, and thereby mitigate the potential risk of individual stocks. But the models focus primarily on individual ETF selection, not on portfolio allocation. Asset class diversification occurs, but it does so by rotating in and out of various asset classes over time, not by holding a fixed allocation for a prolonged period.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector.

Mutual Fund and/or ETF Analysis

We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if the manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund in the client's portfolio. We also monitor the funds or ETF's in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual funds and/or ETFs is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holdings less suitable for the client's portfolio.

Third Party Money Manager Analysis

We examine the experience, expertise, investment philosophies, and past performances of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not replicate that success in the future. There is risk that a manager may deviate from their stated investment mandate or strategy as we do not control the underlying investments in a third-party manager's portfolio. We do not control a third-party manager's daily business and compliance operations and we may be unaware of the lack of internal controls necessary to prevent business, regulatory and reputational deficiencies.

General Risks of Investing

Our securities analysis methods rely on the assumption that the companies whose securities we recommend, the rating agencies that review these securities and other publicly available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be inaccurate, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Strategies Used to Manage Your Assets

We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons.

Long-Term Purchases

We purchase securities with the idea of holding them in the client's account for a year or longer. Typically, we employ this strategy when:

- we believe the securities are currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long term purchase strategy is that holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client or a security may decline sharply in value before we make a decision to sell.

Short-Term Purchases

In cases such as the quantitative global dynamic asset allocation (GDAA) models discussed earlier, at pre-determined intervals (normally monthly), the models rotate into those asset classes the mathematical algorithms forecast probably will have an advantage in the coming month. In some periods, the algorithms may forecast cash or bonds as the best place for the whole account. In the next, they may forecast something completely different.

A risk in a short-term purchase strategy is that in any given period the portfolio may hold positions that either lag or drop more sharply than the average asset classes a more conventional portfolio might have held instead.

Short Sales

We borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based upon our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, our client realizes a profit.

Margin Transactions

We will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

Option Writing

We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from the underlying asset.

The two types of options are calls and puts:

- A "call" gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we determine that the stock will increase substantially before the option expires.
- A "put" gives us, the holder, the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside or downside of a security we have purchased for your portfolio.

We use "covered calls," in which we sell an option on a security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed upon price.

We use a "spreading strategy" in which we purchase two or more option contracts (for example, a call option that you buy and a put option that you sell) for the same underlying

security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

Corporate Stock Option Plan Management Services and Concentrated Stock Management Strategies

Services provided to clients may include Corporate Executive Services in relation to a publicly traded companies Employee Stock Option Plan (ESOP). Services include but not limited to integrate administration of ESOP with Fidelity Corporate Services and Arete Wealth Management so as to assist company in the administration of plan with a leading equity plan management service provider, Fidelity Corporate Services. Further integration would include Arete Wealth Management servicing optionees of said plan in assisting them in managing their equity option benefits, assisting in the exercise of said option benefits, and assisting executives and concentrated holders of corresponding public company stock position in managing concentrated exposure to said stock and risk associated with said concentration, the exercise and/or sale of shares of stock so as to (1) effect portfolio diversification, (2) adhere to any restrictions imposed on said optionee due to position within company (Section 16 insider restrictions, generation restrictions, etc) and (3) to craft selling plans (10b5-1 plans) so as to assist in effecting said diversification while adhering to restrictions imposed on executive.

Managing concentrated stock risk is cornerstone in servicing corporate ESOP clients, but is not limited to such clients. Other standalone clients may be in possession of concentrated positions of stock due to inheritance, accumulation over time, or other reasons. Managing this risk for said “other” holders of concentrated stock is as much a day to day service for these clients as for employees of Corporate ESOP clients. Outlining the risks and rewards of concentrated stock holdings is critical to effective portfolio management and the risks of holding said concentration positions should be discussed in detail with clients, Arete Wealth Advisors so as to craft best plan to manage the risk and reward of said asset as it relates to client specific risk tolerance, near & long term goals of client and overall market risk.

Option Overlay Strategies

Option Overlay strategies are designed to generate income off of either concentrated stock holdings or diversified portfolios. The objective is to attempt to benefit from market volatility or stock specific volatility via the use of either index call & put options (or option spreads) and/or individual equity call & put options (or option spreads). Option overlay strategies are implemented using a taxable portfolio or a taxable concentrated stock position as “collateral” for said overlay positions so as to increase the cash flow that said portfolio or stock position would generate on its own without said overlay approach.

If equity markets remain in a trading range for years to come (as evidences by the S&P 500 index’s performance since the late 90’s to present), overlay strategies have the objective to create additional return for the client during times of largely sideways movement in either domestic or international equity markets. Global economic and geo-political uncertainty should also contribute to market uncertainty and resulting volatility, which could benefit such an overlay strategy in aided the portfolio in creating cash flow and generating excess return.

Important risk considerations must be evaluated when choosing to participate in such an overlay strategy. When volatility reaches unprecedented levels, the volatility can make the potential for cash flow hard to manage due to the large, unexpected swings in the market (both down and up). Other risks include the loss of upside on a portfolio or stock position when the overlay approach involves call selling – this may limit the appreciation potential of the underlying stock or portfolio during times of significant appreciation of said asset over a short period of time. Overlay strategies also provide limited downside protection (limited to call premium collected) and could enhance downside risk if strategy implements put spread selling, which during sharp downward movements in the equity markets can enhance negative returns on an investor's portfolio or concentrated stock position, and could result in either realized losses on portfolio or additional shares of single stock being put to the portfolio. Client should consider all investment risks and also consider tax effects of implementing such strategies before implementation. Consulting your individual tax advisor should be relied on to make appropriate tax determinations.

Risk of Loss

Securities investments are not guaranteed and you may lose your money on your investments. We will work with you to understand your tolerance for risk.

Item 9 – Disciplinary Information

We do not have any legal or other disciplinary items to report to you. We are obligated to disclose any disciplinary event that would be material to you when evaluating us to initiate a client/adviser relationship, or to continue a client/adviser relationship with us.

Item 10 – Other Financial Industry Activities and Affiliations

Registrations and Affiliations

As noted in Item 4, we are owned by our employees and representatives either directly or indirectly through Old Growth Capital, LLC. Old Growth Capital is also the parent of:

- Arete Wealth Management, LLC, an Illinois limited liability company and a FINRA registered broker dealer.
- Arete Insurance Agency, LLC, an Illinois limited liability company.
- Arete Consulting, LLC, an Illinois limited liability company.

Management Personnel

Management personnel of Arete are separately licensed as registered representatives of Arete Wealth Management, LLC, an affiliated broker dealer. These individuals, in their separate

capacity, can effect securities transactions for which they will receive separate, yet customary compensation.

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

Recommendation of Third-Party Investment Advisers

As previously disclosed, we recommend the services of various registered investment advisers to our clients. In exchange for this recommendation, we receive a referral fee from the selected investment adviser. The fee received by us is typically a percentage of the fee charged by that investment adviser to the referred client. The portion of the advisory fee paid to us does not increase the total advisory fee paid to the selected investment adviser by the client. We do not charge the client any fees for these referrals. We will only recommend advisers that pay us a referral fee.

We are aware of the special consideration required under Rule 206(4)-3 of the Investment Advisers Act of 1940. As such, all appropriate disclosure shall be made and all applicable Federal and State laws will be observed.

Client should be aware that the receipt of additional compensation by Arete and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. We endeavor, at all times, to put the interest of our clients first. We take the following steps to address this conflict:

- We disclose to clients the existence of all material conflicts of interest, including the potential for us or our employees to earn compensation from the referral of clients to other registered investment advisers;
- We disclose to the client, in a separate disclosure document, the compensation we receive in exchange for the client's referral to the selected investment adviser;
- We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- Our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- We conduct periodic due diligence on the selected investment advisers to establish that the advisers are suitable to recommend to our clients;
- We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to the client.

Note that in the case of asset allocation models developed on a proprietary basis by an Investment Advisor Representative (IAR) of Arete, while there is no referral fee paid to Arete by the individual IAR, any subadvisory fees received by the IAR-as-portfolio-manager from other advisors' clients' are treated as part of that IAR's overall practice revenue, of which Arete retains a share.

Item 11 – Code of Ethics

Code of Ethics

We have adopted a code of ethics that applies to all our supervised persons. Each of them must comply with our code of ethics as a condition to working with us. Our Chief Compliance Officer (our "CCO") administers and enforces our code of ethics.

Our code of ethics requires our supervised persons to:

- comply with applicable federal and state securities laws
- conduct themselves with integrity and act ethically in their dealings with the public, clients and professional associates
- fulfill their duty of loyalty by acting solely in our clients' best interests
- strive to provide long-term client satisfaction
- disclose any conflict of interest
- adhere to our policies limiting the giving or receiving of gifts and business entertainment
- adhere to our policies limiting the giving of political contributions
- report any violation of our compliance manual to our CCO as soon as possible
- submit reports of securities beneficially owned by them and their related persons, and submit reports of securities transactions by them and their related persons, subject to certain permitted exceptions.

We prohibit our supervised persons from investing in initial public offerings, and they must receive the approval of our CCO before they invest in any private placement.

Our clients, or prospective clients, may request a copy of our code of ethics by contacting our CCO, Joseph A. Cook, (847) 658-8366 or the address on the cover page of this brochure.

Participation or Interest in Client Transactions and Personal Trading

We and/or our supervised persons may: (a) buy or sell the same securities we buy or sell for your account; or (b) buy or sell the same securities we buy or sell for your account and engage in the transaction at the same time. As a result, there may be a conflict of interest that arises between you and us (or one of our supervised persons) in the allocation of profitable trades. We address that potential conflict in one of two ways: either we place all trades (including those of clients, supervised persons, and us) as a block and allocate back to each account exactly the same price per share or, where this is not feasible, we allocate trades to you before we allocate them to our supervised persons or to us.

We do not buy or sell securities for your account if we and/or one of our supervised persons have a material financial interest in the issuer or the securities. However, if we have a client whose securities are traded publicly, we and/or our supervised persons may invest client assets in that company's securities during periods when we do not have any material nonpublic information about that company. Transactions in any such securities must be preapproved by our CCO.

Item 12 – Brokerage Practices

For those clients' accounts where we provide on-going money management or investment advice with on-going supervision, we will maintain a limited power of authority over client accounts with respect to securities to be bought and sold and amount of securities to be bought and sold. All buying and selling of securities will be explained in detail before an advisory contract is executed.

Clearing and Custodial

We primarily use Fidelity Institutional for custody of customer assets and execution of customer transactions. We may use our own broker dealer, Arete Wealth Management, to introduce accounts to National Financial Services, the clearing firm of Fidelity Institutional. Or we may use Fidelity Institutional Wealth Services (IWS) as the introducing broker dealer who also clears through National Financial Services. We, subject to our best execution obligations, may trade outside of Fidelity but this would be very rare. In the selection of introducing broker dealers, we consider all relevant factors including:

- commission rate
- the value of research provided
- execution capabilities
- speed and efficiency
- confidentiality
- familiarity with potential purchasers and sellers

- financial responsibility
- responsiveness

A separate arrangement applies to those accounts participating in one of the global dynamic asset allocation (GDAA) models. For these accounts, TD Ameritrade serves as the custodian. Customer transactions within these accounts are executed either through TD Ameritrade or, more frequently, through a third-party agency execution firm such as Wolverine Execution Services. This arrangement exists because TD Ameritrade and Wolverine Execution Services provide clients with execution cost and efficiency advantages when portfolio changes are more frequent, as is true with the GDAA models.

Advisor participates in the institutional advisor program (the “Program”) offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA (“TD Ameritrade”), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the Program.

As disclosed above, Advisor participates in TD Ameritrade’s institutional customer program and Advisor may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Advisor’s participation in the program and the investment advice it gives to its Clients, although Advisor receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisor by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Advisor’s related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Advisor but may not benefit its Client accounts. These products or services may assist Advisor in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Advisor manage and further develop its business enterprise. The benefits received by Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients,

Advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TD Ameritrade for custody and brokerage services.

Item 13 – Review of Accounts

Investment Advisory Services

Client accounts are monitored and reviewed by our compliance department. Client accounts are typically reviewed every quarter. Accounts are reviewed by your local office manager. Reviews may be triggered by material market, economic or political events or by changes in a client's financial situation or portfolio.

Clients will receive a monthly report from their custodian (typically this will be Fidelity Institutional) that detail the client account performance for the month.

We have retained and will compensate Envestnet to provide us with various administrative services that include determining the fair market value of assets held in the account at least quarterly and producing performance reporting for our clients detailing account assets, account transactions, receipt and disbursement of funds, interest and dividends received, and account gain or loss by security as well as for the total account.

Item 14 – Client Referrals and Other Compensation

Other than the compensation described in Item 5, we do not receive an economic benefit from anyone other than our clients.

Item 15 – Custody

We do not provide custodial services to our clients. Client assets are held at banks or registered broker dealers that are "qualified custodians." Clients will receive statements directly from the qualified custodian at least quarterly. We urge clients to carefully review those statements and compare custodial records to the reports, if any, that we may provide. The information in our reports may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities.

Item 16 – Investment Discretion

We accept discretion to manage the assets in the client's account. We observe investment limitations and restrictions that are outlined in each investment advisory agreement.

Item 17 – Voting Client Securities

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions.

Item 18 – Financial Information

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. We have no additional financial circumstances to report.

Arete has not been the subject of a bankruptcy petition at any time during the past ten years.



Achieve. Aspire. Ascend.

*Arete Wealth Advisors, LLC
Form ADV Part 2A Appendix 1 – Wrap Fee Program Brochure
September 13, 2012*

Arete Wealth Advisors, LLC
1699 E. Woodfield Rd. Suite 565
Schaumburg, Illinois 60173
(847) 658-8366
www.aretewealth.com

This wrap fee program brochure provides information about the qualifications and business practices of Arete Wealth Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (847) 658-8366. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about us may be found at the SEC's website, www.adviserinfo.sec.gov.

Item 19 – Material Changes

This is our initial wrap fee program brochure (our "brochure"). In the future, this Item will summarize specific material changes that have been made to our brochure since our last annual update.

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Item 21 – Services, Fees and Compensation

Services

Arete Wealth Advisors, LLC ("we," "us" or "Arete") has offered professional asset management services since it was formed in 2007.² We have been registered with the SEC since January 2009.

We provide continuous investment management services to clients of our wrap fee program (the "Program"), which include individuals, pension and profit sharing plans, trusts, estates and charitable organizations and other corporate and business organizations. Our portfolio management services are based on the client's goals, objectives, time horizon, and risk tolerance. Our investment management services include investment strategy and policy formulation, asset allocation and selection, and regular and continuous portfolio monitoring.

We evaluate the current investments of each client with respect to the client's risk tolerance levels and time horizon. We typically request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction.

Fees

For our services, Program clients pay us one asset-based "wrap fee" (the "Program Fee") that covers certain costs of the Program, including investment advice, execution and clearing of transactions, custody of assets and record-keeping services. Certain other costs, as described below, are not covered by the Program Fee.

The amount of your Program Fee may vary based on account size or other factors, and in some cases, it may be negotiable. We may charge you an annual Program Fee of up to 3.0% of the assets we manage for you under the Program. The Program Fee is generally payable monthly in arrears. We typically allocate 90% of the Program Fee you pay to the persons responsible for managing your account (each, a "Portfolio Manager"). Additionally, depending on the account, there may be some assets in your account for which no Program Fee is charged. Your Program Fee is specified in your agreement with us.

The Program may cost you more or less than purchasing advisory and ancillary services separately, depending on a number of factors. Such factors include, but are not limited to, the amount of trading activity in your account, the size of your account, and the actual cost of services if provided separately.

Portfolio Managers do not receive any special compensation if they recommend the Program to you and you decide to participate in the Program.

² Registration as an investment adviser does not imply a certain level of skill or training.

Additional Costs

Participants in the Program may be required to incur costs in addition to the Program Fee. These costs include:

- **Mutual Fund Charges.** If your account is invested in mutual funds, you may be charged additional fees charged by mutual funds to their shareholders. This is a fee that is separate from the Program Fee, and it is generally described in each fund's prospectus. Fees charged by mutual funds can include a management fee, other fund expenses, distribution fees and sales charges.
- **Structured Product Charges.** If your account is invested in a structured product, you may be charged a one-time custodial transaction fee, which is separate from the Program Fee.
- **Additional Fees.** You may also incur costs separate from the Program Fee for:
 - National securities exchange fees
 - Charges for transactions not executed through your custodian
 - Currency exchange expenses
 - Wire transfer fees
 - Other fees required by law

Advisor participates in the institutional advisor program (the “Program”) offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA (“TD Ameritrade”), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the Program.

As disclosed above, Advisor participates in TD Ameritrade’s institutional customer program and Advisor may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Advisor’s participation in the program and the investment advice it gives to its Clients, although Advisor receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and

account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisor by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Advisor's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Advisor but may not benefit its Client accounts. These products or services may assist Advisor in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Advisor manage and further develop its business enterprise. The benefits received by Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TD Ameritrade for custody and brokerage services.

Item 22 – Account Requirements and Types of Clients

We do not impose a minimum account size to participate in the Program. Our Program clients generally include individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities.

Item 23 – Portfolio Manager Selection and Evaluation

Portfolio Manager Selection

We select Portfolio Managers based on our evaluation of their strategies, organizational and personal backgrounds, performance records and investment implementation capabilities. Portfolio Managers must meet all applicable state examination, experience and registration requirements. We also consider applicable educational and business background, with particular emphasis on the fields of investment, risk management, taxation, pension planning, and estate planning.

We select Portfolio Managers for particular accounts based our evaluation of how well a Portfolio Manager's strengths match a given client's investment objectives, financial situation, and any investment restrictions imposed by the client. As those factors change, we may consider replacing a Portfolio Manager entirely or assigning a new Portfolio Manager to your account.

Performance Monitoring and Evaluation

Our compliance department evaluates performance of Portfolio Managers by reviewing Program account performance against that of comparable indices. Such reviews are typically done every quarter. Additional reviews may be triggered by material market, economic or political events or by changes in a client's financial situation or portfolio. Program clients also receive a monthly report from their custodian that details the account performance for the month.

We have retained Envestnet to provide us with various administrative services that include (1) determining the fair market value of assets held in the account at least quarterly and (2) producing performance reports for our clients detailing account assets, account transactions, receipt and disbursement of funds, interest and dividends received, and account gain or loss by security as well as for the total account.

We regularly review performance information provided to clients by custodians and Envestnet. By comparing such performance information with account information generated from our internal systems, we can ensure that such performance information is accurate and complies with required presentation standards.

All Portfolio Managers for the Program are registered as investment advisor representatives of Arete and are subject to the same selection and review process.

Our Advisory Business

Our firm provides the investment management services described in Item 4 above to both our general advisory clients and Program participants. We generally manage our Program accounts in a similar manner as our general advisory client accounts, except that we sometimes manage multiple Program accounts under a single portfolio management philosophy. That means that we may place several Program clients into a single portfolio that can be traded simultaneously. Additionally, as explained in Item 4 above, we receive a portion of the Program Fee for our advisory services to Program clients.

Tailored Advisory Services

All of our clients may impose restrictions on investing in certain securities, industries or sectors. You must advise us of any such restrictions in writing. In other respects, we individualize our services differently depending on the nature and type of client (i.e. individual, pension plan, charitable organization or other).

If you are a pension plan, charitable, or trust and estate client, you generally provide us with an investment policy to follow. If you are an individual, we will assist you in creating an investment policy. Our guidelines for creating client investment policies are discussed in more detail in Item 7 below.

Performance-Based Fees

We do not charge performance-based fees.

Methods of Analysis Used to Manage Your Assets

We use the following methods of analysis in formulating our investment advice:

- Charting. In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and/or reverse.
- Fundamental Analysis. We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).
- Technical Analysis. We analyze past market movements and apply that analysis to present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.
- Cyclical Analysis. In this type of technical analysis, we measure the movement of a particular stock against the overall market in an attempt to predict the price movement of the security.
- Quantitative Analysis. We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.
- Qualitative Analysis. We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data.
- Asset Allocation. Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals, time horizon and risk tolerance.
- Mutual Fund and/or ETF Analysis. We look at the experience and track record of the manager of the mutual fund or exchange traded fund ("ETF") in an attempt to determine if the manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

Strategies Used to Manage Your Assets

We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons.

- Long-Term Purchases. We purchase securities with the idea of holding them in the client's account for a year or longer. Typically, we employ this strategy when we believe the securities are currently undervalued, and/or we want exposure to a particular asset class over time, regardless of the current projection for this class.
- Short Sales. We borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based upon our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, our client realizes a profit.
- Margin Transactions. We will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

Option Writing

We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from the underlying asset.

The two types of options are calls and puts:

- A "call" gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we determine that the stock will increase substantially before the option expires.
- A "put" gives us, the holder, the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside or downside of a security we have purchased for your portfolio.

We use "covered calls," in which we sell an option on a security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed upon price.

We use a "spreading strategy" in which we purchase two or more option contracts (for example, a call option that you buy and a put option that you sell) for the same underlying

security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

Risk of Loss

Securities investments are not guaranteed and you may lose your money on your investments, which you should be prepared to bear. We will work with you to understand your tolerance for risk.

Voting Client Securities

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions.

Item 24 – Client Information Provided to Portfolio Managers

Pension Plans, Charitable Organizations, Trusts and Estates

Generally, our pension plan, charitable, and trust and estate clients provide Portfolio Managers with an investment policy to follow, which we regularly review and you may update. Our Portfolio Managers invest your assets in accordance with your investment policy.

Individual Clients

We ask you to complete an investor questionnaire to assist us in developing investment objectives that reflect your unique goals, liquidity requirements, risk-tolerance and time horizon. We review your questionnaire periodically (at least annually) to be sure the objectives continue to meet your particular needs and goals. Risk tolerance levels will be documented in the investment policy statement that we prepare for you.

In this process, we also assist you in developing appropriate allocation objectives. However, market volatility can sometimes change asset values. When this happens, the values of your assets may become inconsistent with your desired allocation objective. If we think it is appropriate, we will rebalance your portfolio to align with your allocation objectives.

Item 25 – Client Contact with Portfolio Managers

Client contact with Portfolio Managers will vary widely depending on the number of clients each Portfolio Manager is involved with within their respective practice and/or the number of accounts over which the Portfolio Manager has discretion.

Generally, client accounts are reviewed periodically or in response to client requests. Generally, clients will not participate in the review. Arrangements for formal reviews are determined by us on a case-by-case basis. Additional reviews may be provided based on a significant change in the market, the client's financial situation, significant additions to or withdrawals from the account, transactions and significant changes in asset allocations, or at our or the client's request.

Item 26 – Additional Information

Disciplinary Information

We do not have any legal or other disciplinary items to report to you. We are obligated to disclose any disciplinary event that would be material to you when evaluating us to initiate a client/adviser relationship, or to continue a client/adviser relationship with us.

Other Financial Industry Activities and Affiliations

We are owned by our employees and representatives either directly or indirectly through Old Growth Capital, LLC. Old Growth Capital is also the parent of:

- Arete Wealth Management, LLC, an Illinois limited liability company and a FINRA registered broker dealer. Arete Wealth Management is also registered with the CFTC as an introducing broker, but we do not recommend futures products as part of the Program.
- Arete Insurance Agency, LLC, an Illinois limited liability company.
- Arete Consulting, LLC, an Illinois limited liability company.

Management Personnel

Management personnel of Arete are separately licensed as registered representatives of Arete Wealth Management, LLC, an affiliated broker dealer. These individuals, in their separate capacity, can effect securities transactions for which they will receive separate, yet customary compensation.

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

Recommendation of Third-Party Investment Advisers

We sometimes recommend the services of various registered investment advisers to our clients. In exchange for this recommendation, we receive a referral fee from the selected investment adviser. The fee received by us is typically a percentage of the fee charged by that investment adviser to the referred client. The portion of the advisory fee paid to us does not increase the total advisory fee paid to the selected investment adviser by the client. We do not charge the client any fees for these referrals. We will only recommend advisers that pay us a referral fee.

We are aware of the special consideration required under Rule 206(4)-3 of the Investment Advisers Act of 1940. As such, all appropriate disclosure shall be made and all applicable Federal and State laws will be observed.

Clients should be aware that the receipt of additional compensation by Arete and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. We endeavor, at all times, to put the interest of our clients first. We take the following steps to address this conflict:

- We disclose to clients the existence of all material conflicts of interest, including the potential for us or our employees to earn compensation from the referral of clients to other registered investment advisers;
- We disclose to the client, in a separate disclosure document, the compensation we receive in exchange for the client's referral to the selected investment adviser;
- We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- Our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- We conduct periodic due diligence on the selected investment advisers to establish that the advisers are suitable to recommend to our clients;
- We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to the client.

Code of Ethics

We have adopted a code of ethics that applies to all our supervised persons. Each of them must comply with our code of ethics as a condition to working with us. Our Chief Compliance Officer (our "CCO") administers and enforces our code of ethics.

Our code of ethics requires our supervised persons to:

- comply with applicable federal and state securities laws
- conduct themselves with integrity and act ethically in their dealings with the public, clients and professional associates
- fulfill their duty of loyalty by acting solely in our clients' best interests
- strive to provide long-term client satisfaction
- disclose any conflict of interest
- adhere to our policies limiting the giving or receiving of gifts and business entertainment
- adhere to our policies limiting the giving of political contributions
- report any violation of our compliance manual to our CCO as soon as possible
- submit reports of securities beneficially owned by them and their related persons, and submit reports of securities transactions by them and their related persons, subject to certain permitted exceptions.

We prohibit our supervised persons from investing in initial public offerings, and they must receive the approval of our CCO before they invest in any private placement.

Our clients, or prospective clients, may request a copy of our code of ethics by contacting our CCO, Joseph A. Cook, (847) 658-8366 or the address on the cover page of this brochure.

Participation or Interest in Client Transactions and Personal Trading

We and/or our supervised persons may: (a) buy or sell the same securities we buy or sell for your account; or (b) buy or sell the same securities we buy or sell for your account *and* engage in the transaction at the same time. As a result, there may be a conflict of interest that arises between you and us (or one of our supervised persons) in the allocation of profitable trades. To address that potential conflict, we always allocate trades to you before we allocate them to our supervised persons or to us.

We do not buy or sell securities for your account if we and/or one of our supervised persons have a material financial interest in the issuer or the securities. However, if we have a

client whose securities are traded publicly, we and/or our supervised persons may invest client assets in that company's securities during periods when we do not have any material nonpublic information about that company. Transactions in any such securities must be preapproved by our CCO.

Review of Accounts

Program client accounts are reviewed as described above in Item 6, under "Performance Monitoring and Evaluation."

Client Referrals and Other Compensation

Other than the Program Fee, we do not receive an economic benefit from anyone other than our Program clients for providing advisory services to our Program clients.

Financial Information

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. We have no such financial circumstances to report.

Arete has not been the subject of a bankruptcy petition at any time during the past ten years.

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