



Axxcess Wealth Management, LLC

Firm Brochure
(Part 2A of Form ADV)

March 11, 2013

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This brochure provides information about the qualifications and business practices of AXXCESS WEALTH MANAGEMENT, LLC. If you have any questions about the contents of this brochure, please contact us at: 858-217-5347, or by email at: ADMIN@AXXCESSWEALTH.COM. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about AXXCESS WEALTH MANAGEMENT, LLC is available on the SEC's website at www.adviserinfo.sec.gov

Item 2: Material Changes

Please note the following material changes for this Brochure dated March 31, 2014, which contains several material changes.

Under Item 1, please note that Axxcess Wealth Management, LLC ("AWM" or the "Firm") has changed its business name from MK Capital Advisors, LLC to Axxcess Wealth Management, LLC ("AWM") effective 10/1/2013, and the address and fax number remains: 6005 Hidden Valley Road #290, Carlsbad, CA 92011; Facsimile: (443) 269-0458.

Under Item 6, AWM has expanded its offering to accredited clients who request or prefer a performance based fee structure on certain types of portfolios, as an alternative to traditional asset based fees.

Under Item 9, please note that there are no regulatory or disciplinary actions current or pending.

In addition, Item 10 was expanded upon to describe Axxcess Healthcare Group, LLC, a firm specializing healthcare ventures, strategic advice, and investment banking. Services provided by Axxcess Healthcare Group, LLC include capital raising for hospital development, medical devices, biologics and various other healthcare business ventures.

Our prospective and existing clients are strongly encouraged to read this brochure in its entirety prior to engaging AWM for any advisory services.

Pursuant to SEC Rules, AWM will ensure that clients receive a summary of any material changes to this Brochure within 120 days of the close of AWM's fiscal year end, along with a copy of this Brochure or an offer to provide the Brochure. Additionally, as AWM experiences material changes in the future, we will send you a summary of our "Material Changes" under separate cover. For more information about the firm, please contact us by telephone at: 858-217-5347 or by email at: admin@axxcesswealth.com.

Additional information about AWM and its investment adviser representatives is available on the SEC's website at www.adviserinfo.sec.gov.

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Item 4: Advisory Business

Firm Description

AXXCESS WEALTH MANAGEMENT, LLC ("AWM") is a Carlsbad, California based investment management firm founded in 2012. AWM currently is registered with the Securities and Exchange Commission ("SEC") as an investment adviser conducting business in a number of states, which are reflected in Part 1 of our Form ADV, a copy of which can be found on www.adviserinfo.sec.gov.

AWM is an independent investment and advisory firm that is client-centered in its mission. Our client base includes many different types of individuals and institutions, so we have developed a wide array of services dedicated to meeting the distinct needs of each. AWM works with clients on a per project, hourly, or on an asset based relationship.

Advice is provided through consultation with the client and may include: determination of financial objectives, risk assessment, risk management, capital allocation and budgeting, identification of financial problems, cash flow management, strategic planning, insurance review, investment management, retirement plan design, installation, and management.

To meet the distinct needs of each type of client and their consultants or advisors, each of our services are unified by the firms overall mission:

- Retain our client relationships by putting their interests first.
- Invite collaboration and partnership with client's existing advisors.
- Ensure clear, transparent communication
- Mandate the highest standard of professional conduct, firm ethics, and client privacy

Our service requires our advice to be objective. Our open-architecture allows us to pick and choose products and services that are aligned with our client's best interests. We have built strategic alliances with some of the largest banks, brokerage, and trust platforms. Through our relationship with Arete Wealth Management, LLC and Arete Wealth Advisors, LLC we can offer our clients additional choice of custodians, and investment programs.

We are interested in working with complex problems, where we can draw on the strengths of multiple internal and external resources. Additionally, AWM limits the number of clients we serve, which allows us to devote more time to managing, and retaining our relationships. Client net worth ranges between \$2 mm and \$200 mm.

Principal Owners

Michael Seid is the managing member and sole owner of AWM.

Types of Advisory Services

As a firm focused on our existing client base comprised of family offices, high net worth investors, business owners, and retirement plans, AWM provides services in the following areas:

CORE Services

Our CORE services are focused on wealth management. AWM provides investment advice and/or investment management solutions based on the client's needs and objectives. Context is a key driver for investment decisions, and our CORE services are highly tailored to each client, as we do not manage a "one size fits all" model portfolio. Our client accounts are monitored on at least a monthly basis and focused on meeting current, and evolving financial needs. Context is arrived by staying relevant with key client economic decisions. AWM will review the client's current financial position taking into account the stated financial goals and objectives of the client. AWM will frequently establish and formalize a customized investment policy statement for each client or account being managed.

Advisory Services

AWM provides advisory services to client projects which may or may not be related to wealth management and investment strategy. Advisory services are focused on areas that you typically don't see on a statement, such as real estate, and business interests, or diligence activities. Many of our clients rely on us for advice in a variety of financial decisions with respect to their family office establishment and governance, purchasing or selling businesses, or raising capital, negotiating, and structuring deals. Advisory services may be offered in conjunction with other services offered by AWM as described below. AWM does not provide legal or tax advice.

Corporate Services

AWM also provides services for companies and organizations. Services include: Company sponsored qualified, and non-qualified Retirement Plan Advisory Services, Plan Installation Consultation (includes Statement of Investment Policy, and initial plan investment selection), and Plan Consultation (includes participant enrollment meetings, ongoing 404(c) compliance consultation, Investment Due Diligence and Third Party Investment Reporting). AWM has adopted the FI360 (www.fi360.com) model for fiduciary best practices and seeks to apply the fi360 standard for investment stewards, advisors, and managers. AWM will also conduct formal fiduciary best practices reviews (Level I, II, III) for corporate clients seeking to verify fiduciary excellence, and compliance.

As part of our Corporate Services Consulting AWM furnishes advice to clients on matters not involving securities, such as capital formation, investment structure, financial risk management, financial planning matters, and trust services that may include estate planning. Capital placement activities are not handled by AWM, but through our affiliated broker dealer, Arete Wealth Management, LLC.

Tailored Relationships

AWM makes a point to know our clients' life circumstances in order to implement individually tailored financial solutions. Meeting the needs of each client, in order to sustain a relationship that creates value for

the client, requires depth of knowledge, routine contact, and a requirement to collaborate with a client's existing advisors.

The goals, objectives and financial profile, for each client are documented in our client relationship management system. Investment policy statements are created for certain clients, which reflect the stated goals and objectives of those Clients. Clients may impose restrictions on investing in certain securities or types of securities.

Advisory Services

Most clients choose to have AWM advise them on matters related to their businesses, their wealth management, and their implementation of investment strategy. Prior to providing advisory services, AWM's clients enter into an advisory services agreement, known as the AWM Engagement Agreement.

AWM provides CORE investment advisory services to its clients on a discretionary or non-discretionary basis. The advisory services include, among other things, providing advice regarding both tactical, and strategic asset allocation, and the selection of investments. However, AWM may also provide additional consulting services on investment-related matters. AWM's CORE advisory services are guided by the stated objectives provided for in a client profile or investment policy statement. AWM considers the client's risk tolerance and financial status prior to making any recommendations.

As noted, AWM also provides other consultation services, which include financial planning, capital placement, wealth management and advisement on financial matters to businesses, high-net worth individuals, Family Offices, and companies. Clients interested in advisory consulting services sign a consulting services agreement in addition to the AWM Engagement Agreement.

AWM may also recommend third party managers and or wrap-fee programs ("TPMs") who have full investment discretion, and trading authority. These TPMs have sole responsibility for the implementation of the investment program with respect to the client's account for which investment discretion has been delegated by the client and accepted by the institutional money managers. AWM does not place orders for transactions in the client's account or otherwise exercise trading authority over an account managed by a TPM or wrap-fee program sponsor. TPMs and wrap-fee program sponsors recommended by AWM to its clients are subject to a rigorous due diligence process. Factors considered by AWM in its determination of whether to recommend a TPM or wrap-fee program include, but are not limited to: regulatory compliance, reputation, performance record, philosophy, continuity of management, service to clients, awareness of after tax performance objectives, minimum dollar investment requirement and fees. Information about TPMs and wrap-fee program sponsors (*e.g.*, performance figures, investment style, etc.) is obtained from tracking organizations, business publications, money managers, personal interviews and other sources which we believe are reliable. AWM may also consider other criteria, including, but not limited to, the administration, recordkeeping and reporting services provided by a manager or sponsor. AWM may also retain outside consultants to assist in preparing TPM search lists. In the event that AWM retains an outside consultant, AWM will make the final determination regarding which TPMs or wrap-fee program sponsors are made available to clients.

The terms and conditions under which the client shall engage a TPM or wrap-fee program sponsor shall be set forth in separate written agreements between (1) the client and AWM and (2) the client and the designated TPM and/or wrap fee program sponsor. AWM shall continue to render advisory services to the client relative to the ongoing monitoring and review of account performance, for which AWM shall receive an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated TPM and/or wrap fee program sponsor. Factors that AWM shall consider in recommending TPMs and/or wrap fee program sponsors include the client's stated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated TPM and/or wrap fee program sponsor and corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, AWM's investment advisory fee set forth in Item 5 below. In addition to this Brochure, the client shall also receive the written disclosure statement of the designated TPM(s) and wrap-fee program sponsor(s). Certain TPMs and wrap-fee program sponsors may impose more restrictive account requirements and varying billing practices than AWM. In such instances, AWM may alter its corresponding account requirements and/or billing practices to accommodate those of the TPM(s) or wrap-fee program sponsor(s).

AWM may also refer clients to certain TPMs or wrap-fee programs where AWM's compensation is included in the advisory fee charged by the TPM. In such cases, AWM will be compensated for its services by receipt of a fee to be paid directly by the TPM to AWM in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, and any corresponding state securities laws, rules, regulations, or requirements. Any such fee shall be paid solely from the TPM's investment management fee or the program fee of the wrap-fee program (as appropriate), and shall not result in any additional charge to the client. AWM currently does not have any such relationship with a TPM that pays compensation to AWM.

AWM also may render non-discretionary investment management services to clients relative to: (1) variable life/annuity products that they may own, and/or (2) their individual employer-sponsored retirement plans. In so doing, AWM either directs or recommends the allocation of client assets among the various mutual fund subdivisions that comprise the variable life/annuity product or the retirement plan. The client assets shall be maintained at either the specific insurance company that issued the variable life/annuity product which is owned by the client, or at the custodian designated by the sponsor of the client's retirement plan.

Should a client decide to implement any recommendations contained in a financial plan prepared by AWM, the client may, but is under no obligation to, utilize AWM to implement those recommendations and there is no assurance that AWM's financial planning services or any products recommended by a financial plan are at the lowest available cost. Clients should be aware that if the client implements the financial plan through AWM, the Firm may receive additional payment from the client in the form of advisory fees, or in certain cases, through insurance commissions if insurance recommendations are implemented by licensed insurance agents associated with AWM. This may act as an incentive to AWM to make certain recommendations in the financial plan or to advise the client to instruct AWM to implement the plan.

Termination of Advisory Services

AWM and its clients may terminate advisory and other related services by written notice for any reason and such termination is effective upon the date specified in the notice. Prior to the effective date of such termination, Client will provide AWM with written instructions as to the liquidation or settlement of the Account, which instructions may limit the discretion of AWM to enter into further transactions after the date such instructions are received. AWM agrees to be bound by such instructions after receipt thereof. It is understood that AWM shall be entitled to a pro rata portion of its fee, based upon the number of months of representation until the date of termination. Such termination shall not, however, affect liabilities or obligations incurred or arising from transactions initiated under this agreement prior to such termination of this Agreement. If the Client terminates this Agreement within five (5) business days of its signing, the Client will receive a full refund of all fees and expenses.

Assets Under Management

As of December 31, 2012, the following represents the amount of client assets under management by AWM on a discretionary and non-discretionary basis:

Type of Account	Assets Under Management ("AUM")
Discretionary	\$14,311,165
Non-Discretionary	\$109,607,040
Total:	\$123,918,205

Item 5: Fees and Compensation

For the CORE investment advisory and financial planning services provided, AWM can charge an annual fee of .35%-2% dependent upon the client's assets under management, and upon the level of services provided. Clients may be provided with a flat or hourly fee for additional services rendered and agreed upon by the client as set forth in the client's AWM's Engagement Agreement. In certain cases, family or friends of AWM's employees, independent consultants and associated persons, or others may have all fees waived at the discretion of AWM based on certain criteria (*e.g.*, historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.). AWM's advisory fees are exclusive and do not include certain charges imposed by third parties such as execution costs, custodial fees, mutual fund fees and expenses, and management fees charged by third party managers or advisors. These other fees and expenses will be paid out of the assets in the clients account, and are in addition to the advisory fees charged by AWM.

Fee Billing

As set forth in the AWM Engagement Agreement, at the clients option, advisory fees are payable either quarterly in arrears at the end of each calendar quarter based on the average of the 3 preceding end of month values of the Client's account, or, fees are billed upfront, based on the account value on the first day of the calendar quarter. The fee is invoiced to the custodian of record and debited from the Client's account as soon

as practicable following the last business day of the proceeding calendar quarter. No additional fees are assessed for special reports, services or meetings, except in extraordinary circumstances and Client will be notified in the event of such a circumstance. Client engagements entered into during a calendar quarter are charged a pro-rated portion of this fee for the initial quarter of advisory and management services. Thereafter, the full fee is charged. Accounts closed during a calendar quarter will have the advisory fee pro-rated for the period during which the account was open. AWM is authorized through the AWM Engagement Agreement to invoice the custodian directly and debit Client's account for such fees. Fees collected are reflected on the client's brokerage statements, and invoices are available on request.

Clients may make additions to and withdrawals from their accounts at any time, subject to AWM's right to terminate an account. If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter. Clients may withdraw account assets on notice to AWM, subject to the usual and customary securities settlement procedures. AWM designs its portfolios as long-term investments and asset withdrawals may impair the achievement of a client's investment objectives.

AWM believes its fees are fair, reasonable and consistent with those fees charged in the industry for similar services and products. However, similar services may be available from other Advisers at greater or lower fees.

Item 6: Performance-Based Fees & Side by Side Management

AWM may recommend a third party asset management platform or subadvisor if a client requests a performance based fee structure for their portfolio. Currently, AWM can implement performance based fee structures using independent third party platforms that calculate compensation under a performance based fee arrangement. For these portfolios, there are no ongoing AWM management fees, and there is no fee charged if your portfolio with this subadvisor loses money. A fee is only charged if your portfolio with the subadvisor goes up in value. This fee structure may create an incentive to make investments that are riskier or more speculative than would be the case if AWM was paid a fixed fee percentage on the assets in the portfolio. In addition, because the applicable performance allocation (or performance fees) if any, are calculated on a basis that includes unrealized appreciation of the funds assets, it may be greater than if such allocation was based solely on realized gains. For details on how this program works and how the fees are determined, separate disclosure documents are available at client request.

Item 7: Types of Clients

Description

AWM generally provides investment advice to family offices, corporations and other business entities, individuals, banks or thrift institutions, investment companies, pension and profit sharing plans, trusts, estates, or charitable organizations.

Account Minimums

We currently do not have an account minimum or "relationship" minimum, but we do reserve the right to accept or decline a potential client for any reason in our sole discretion.

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

Investment advice is an integral part of our process. The firm uses a multi asset class, multi disciplinary approach with the belief that no two clients are identical. Therefore the firm does not manage client investment portfolios on the basis of a "one size fits all" model portfolio.

Investment advice is provided with the client making the final decision on investment selection in most cases. Some accounts that the firm oversees are handled on a fully discretionary basis. Clients have the choice to work on a limited or full discretion basis. In most cases, an evaluation of each client's initial situation is provided. Periodic reviews are also communicated to provide reminders of the specific courses of action that need to be taken. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

Our process is rooted in these simple themes:

Diversify your assets: You must look beyond the traditional pie chart, and you are at great risk if you believe a passive long only index investing approach. Correlations matter, and manager talent matters. Avoid market timing: Investors tend to follow trends, getting excited when the media over emphasizes select aspects of a market or component of the economy.

Keep fees to a minimum: In a single-digit return environment, the reduction of fees can represent a statistically significant increase in investment returns, and your wealth. Our multi family office structure allows our clients to benefit with a very competitive fee structure.

You are not a model: We construct, manage, and monitor portfolios that are customized and optimized to you. Your unique return, risk, liquidity, income profile, tax circumstance, and allocation objectives are blended with your experience and expectations. While efficiencies and execution are essential, we have yet to meet two clients that were exactly the same.

Communication: Our reporting and aggregation systems are industry leading and keep your complex financial picture clear to you. Daily.

Our Investment Oversight Committee ("IOC") meets weekly, and intelligently synthesizes diverse economic views and top investment research, allowing the IOC to manage asset allocations designed to maximize after-tax, after-fee, risk-adjusted returns.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis.

Methods of Analysis

Security analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis. The principal sources of this information includes commercially available investment services, financial newspapers and magazines, mutual fund rating services, annual reports, prospectuses and filings with the Securities and Exchange Commission.

AWM primarily uses fundamental and technical analysis when evaluating investments. Security selection is done using a number of tools, including commercially available software technology, security rating services, general market and financial information and specific investment analysis requested by the client.

AWM's advice is primarily based on long-term investment strategies that incorporate the principles of modern portfolio theory. Our belief is that investors' returns are determined principally by asset allocation decision, not market timing. Individual securities are screened based on the basis of company financial strength, growth characteristics and overall ability to meet client objectives.

Assets are invested primarily in no-load mutual funds, stocks, separately managed accounts, collective investment trusts, exchange-traded funds, bonds, notes, municipal securities, structured products, closed end funds, hedge funds, real estate private equity funds, warrants, corporate debt securities, commercial paper, certificates of deposit, investment company securities, U. S. government securities, options contracts, futures contracts, and interests in partnerships.

Private partnerships invested in public equity or debt generally provide capital account balance and performance data quarterly, monthly or even mid-month which AWM reflects on its statement as it receives the data. Private partnerships invested in private debt, private equity, real estate or real estate debt is highly illiquid with generally no public or private market. For these securities, AWM conducts an individualized review of each investment to establish its "fair value" on a quarterly basis. The process varies depending on the information available to AWM with regard to the investment. AWM gets input from the general partner and from management of the underlying investment, and reviews available financial information (including both past performance and management's projections for future performance, where available). In some cases, AWM has a third-party valuation that was obtained by management for other reasons, which AWM use as a guideline, rather than as a firm indication of value, as these usually presume an immediate sale and AWM views these as hold-to-maturity investments.

AWM may also provide advice about any type of investment held in a client's portfolio at the beginning of the advisory relationship.

Initial public offerings (IPOs) are available through AWM and the client's custodial broker/dealer.

Investment Strategies

AWM implements a variety of investment strategies for clients, and does not manage a specific, single strategy for its clients. The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time.

AWM's advice is primarily based on long-term investment strategies using asset allocation decisions and not market timing, however, AWM may implement short term trading strategies through TMPs or hedge fund managers. Individual securities are screened based on the basis of company financial strength, growth characteristics and overall ability to meet client objectives.

Investment strategies are driven by an understanding of client constraints, risk tolerance, familiarity with investment behavior, accredited investor status, and tax status.

Risk of Loss

All investment programs have certain risks that are borne by the investor. Investments in, for example, derivatives, international companies, emerging markets or high yield debt can carry greater risks over other more conservative alternatives. Employing certain strategies in securities and derivatives may lead to losses that may exceed initial principle invested. Our investment approach keeps the risk of loss and client risk profile in mind; however, clients should be aware that loss of principal may occur with no guarantee of investment objectives being met. Investors face the following investment risks or a combination thereof:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Default or Credit Risk:** Default risk stems from a company's potential failure to pay its contractual obligations, such as a bond. In such occurrences equity and debt pricing as well as credit ratings

may be impacted adversely affecting the potential return of an investment and/or loss of principle. Credit risk is calculated based on a company's overall ability to repay.

- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not. Lack of liquidity can lead to mispricing of a security or derivative, where changes in a securities value may not be reflected in the actual price of the derivative or underlying security.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Leverage Risk:** Leverage is the use of borrowing to increase potential returns of an investment. One example is a mortgage on a home. The risk of using leverage in an investment strategy is the clients potential to lose more than the principle amount they originally invested.
- **Political Risk:** Often associated with investments in Emerging Markets or other international investments, political risk is the possibility that changes or instability in a government or country could have adverse affects on an investment leading to loss of principle.

Item 9: Disciplinary Information

Legal and Disciplinary

Registered investment advisers such as AWM are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of AWM or the integrity of its management. AWM does not have any such legal or disciplinary events and thus has no information to disclose with respect to this Item.

Item 10: Other Financial Industry Activities and Affiliations

Financial Industry Activities

Arete Wealth Mangement, LLC is the associated broker dealer for AWM. Representatives of AWM may offer securities throught the Broker Dealer. Such offerings are dependent on a variety of factors including specific product requirements and other benefits to the client. Such investments are not charged the AUM fees listed in item 5. Compensation may be paid on broker dealer products to AWM representatives. Client should be aware that the receipt of additional compensation by Arete and itsmanagement 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.

Arete provides transaction and placement services for retail and institutional clients. Arete, as a broker-dealer, provides services to Axxcess. Arete provides regulatory and supervisory oversight of AWM. Arete approves and supervises all private securities transactions placed by AWM.

Mr. Seid is also a 25% owner of Axxcess Healthcare Group, LLC, a firm specializing healthcare ventures, strategic advice, and investment banking. Services provided by Axxcess Healthcare Group, LLC include capital raising for hospital development, medical devices, biologics and various other life sciences, and healthcare business ventures.

These relationships may or may not present a conflict of interest and are disclosed to clients at the time of entering into an advisory agreement with AWM. AWM clients are under no obligation to engage these businesses.

AWM may enter into agreements with developers of limited partnership products whereby AWM may participate in the management of the partnership itself or the underlying products. AWM may, from time to time, recommend securities to clients in which key Executive Officers or associated persons may have a financial interest. If such recommendations are made, complete disclosure of all interests will be made at the time of the recommendation. AWM may also, from time to time, recommend securities to clients in which AWM may hold an investment position. AWM will never sell clients securities from its proprietary position nor will it cross trade with a customer for its own account, prior to obtaining written approval from Client.

Mr Seid is a director of a publicly traded company, listed on the Toronto Venture Stock Exchange. Mr. Seid is currently not compensated in his role as director, but may in the future.

Please review AWM's Form ADV Part 2B's for further disclosures.

Recommendations of Third-Party Managers ("TPMs") and Related Conflicts

AWM may have arrangements with certain third-party managers whereby AWM receives a percentage of the fees charged by such managers. If AWM refers a client to a TPM where an AWM investment professional receives compensation based on a percentage of the fees charged by such TPM, that investment professional may be compensated for its services by receipt of a referral fee paid directly by the TPM to AWM in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and any corresponding state securities laws, rules, regulations, or requirements. Any such fee will be paid solely from the TPMs investment management fees and will not result in any additional charge to the client.

A conflict in interest exists as the sharing of fees creates a financial incentive to recommend that clients invest with a certain TPM that customarily allows AWM investment professionals to share in the investment management fees or to invest with TPMs with a higher percentage splits of fees to AWM investment professionals. Any such arrangements are disclosed to clients prior to investment and this conflict is managed by the supervision of all TPM recommendations on behalf of clients by the Firm's Investment Committee to

ensure the recommendation is within the parameters set forth by the Investment Committee, the Firm's method of analysis and by AWM Code of Ethics and fiduciary responsibility to each client. AWM has never had this type of relationship with a TPM, and none are currently contemplated.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

AWM has adopted a Code of Ethics (Code) designed to comply with Rule 204A-1 under the Investment Advisers act of 1940. As required by regulation (and because it's good business), we have adopted a Code of Ethics that governs a number of potential conflicts of interest we have when providing our advisory services to you. This Code of Ethics is designed to ensure we meet our fiduciary obligation to you, our Client (or Prospective Client) and to emphasize a culture of compliance within our firm.

The Code is designed to ensure that the high ethical standards long maintained by AWM continue to be applied. The purpose of the Code is to preclude activities, which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct. The excellent name and reputation of our firm continues to be a direct reflection of the conduct of each employee and Investment Advisor Representative.

AWM expects every employee to demonstrate the highest standards of ethical conduct for continued employment with AWM. Our Code is comprehensive, is distributed to each employee at the time of hire, and annually thereafter (if there are changes). We also supplement the Code with annual training and on-going monitoring of employee activity. Our Code includes the following:

- Requirements related to the confidentiality of your Information
- Prohibitions on: Insider trading (if we are in possession of material, non-public information);
- Rumor mongering;
- The acceptance of gifts and entertainment that exceed our policy standards;
- Reporting of gifts and business entertainment;
- Pre-clearance of employee and firm transactions;
- Reporting (on an on-going and quarterly basis) all personal securities transactions (what we call "reportable securities" as mandated by regulation); and,
- On an annual basis, we require all employees to re-certify to our Code, identify members of their household and any account to which they have a beneficial ownership (they "own" the account or have "authority" over the account), securities held in certificate form and all securities they own at that time).

Our Code does not prohibit personal trading by employees (or our firm). As you may imagine, as a professional investment adviser, we follow our own advice. As a result, we may purchase or sell the same or similar securities (or securities that are suitable for an employee or related account but not suitable for any

client, including you) at the same time that we place transactions for your account and the accounts of our other Clients. Strict compliance with the provisions of the Code shall be considered a basic condition of employment with AWM. AWM's reputation for fair and honest dealing with its clients has taken considerable time to build. This standing could be seriously damaged as the result of even a single securities transaction being considered questionable. Employees are urged to seek the advice of the Chief Compliance Officer or designated person, for any questions about the Code or the application of the Code to their individual circumstances. A material breach of the provisions of the Code may constitute grounds for disciplinary action, including termination of employment with AWM. The provisions of the Code are not all-inclusive. Rather, they are intended as a guide for employees of AWM in their conduct. In those situations where an employee may be uncertain as to the intent or purpose of the Code, he/she is advised to consult with the Compliance Department. All questions arising in connection with personal securities trading should be resolved in favor of the client even at the expense of the interests of the employee.

or give the appearance of conflicts of interest, insider trading and other forms of prohibited Clients may request a copy of the Code by contacting AWM at (858) 217-5347.

Participation or Interest in Client Transactions

AWM and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees may indirectly benefit from market activity generated by a security held in a client account. In accordance with the AWM Code of Ethics, AWM monitors the personal trading activity of all employees and prevents front running through various internal controls.

The Chief Compliance Officer ("CCO") of AWM reviews all employee trades each quarter. The personal trading reviews ensure that the client interests are always placed before any personal interests. Since most employee trades typically involve small mutual fund or exchange-traded fund trades, such transactions generally do not affect the securities markets.

Item 12: Brokerage Practices

Selecting Brokerage Firms

When performing investment management services, AWM generally places all transactions through the Schwab Institutional division of Charles Schwab & Co., Inc. ("CSI"), and/or another broker-dealer custodian. AWM periodically evaluates the commissions charged and the services provided by the custodian and compare those with other broker-dealers to evaluate whether overall best qualitative execution could be achieved by using alternative custodians. Other factors AWM may consider when evaluating its choice of custodians include:

- Ability to trade mutual funds and other investments that AWM determines are suitable a client portfolios;
- The custodial relationship between the client and the broker-dealer;
- Quality of customer service and interaction with AWM;

- Discount transaction rates; and
- Reliability and financial stability.

Specific custodian recommendations are made to clients based on their need for such services. AWM may recommend clients establish brokerage and custodial accounts with CSI, Deutsche Bank, Millennium Trust, and/or First Mercantile Trust to maintain custody of client's assets and to effect trades for their accounts. CSI provides AWM with the access to its institutional trading and operations services, which are typically not available to Schwab retail investors. These services generally are furnished to independent investment advisers at no charge to them so long as a total of at least \$10 million of the advisers' clients' account assets are maintained at CSI. The choice between these brokers is ultimately the client's and AWM will not require or only recommend a client to open an account with CSI for the purpose of obtaining these services.

Certain clients, if approved by AWM, may be permitted to open brokerage accounts with brokers other than CSI or Fidelity for the purposes of trading fixed-income investments, alternative investments and structured products. In these circumstances, AWM will recommend those brokers it believes are in the client's best interests to use and shall consider factors such as best execution, commission rates, the financial stability and reputation of the broker, the quality of the investment research, investment strategies, special execution capabilities, clearance, settlement, custody, record keeping and other services provided by such broker, when making its recommendations. The choice of such broker is ultimately the client's. Clients should be aware that AWM may not be able to negotiate specific brokerage commission rates with a broker-dealer on the client's behalf, or seek best execution services or prices from other broker-dealers. As a result, the client may pay higher commissions and/or receive less favorable net prices on transactions for their account than might otherwise be the case and AWM will have limited ability to ensure that the broker-dealer selected by the client will provide best possible execution.

Best Execution

To ensure that the brokerage firms recommended by AWM are conducting overall best qualitative execution, AWM reviews the execution of trades at each custodian each quarter. Trading fees charged by the custodians are also reviewed on a quarterly basis. AWM's evaluation will consider the full range of brokerage services offered by the brokers, which may include, but is not limited to price, commission, timing, research, aggregated trades, capable floor brokers or traders, competent block trading coverage, ability to position, capital strength and stability, reliable and accurate communications and settlement processing, use of automation, knowledge of other buyers or sellers and administrative ability. AWM does not receive any portion of the trading fees.

Research and Other Soft Dollars Benefits

AWM may select a broker-dealer in recognition of the value of various services or products, beyond transaction execution, that such broker-dealer provides where, considering all relevant factors, it believes the broker-dealer can provide best execution. Selecting a broker-dealer in recognition of the provision of services or products other than transaction execution is known as paying for those services or products with "soft dollars." The amount of compensation paid to such broker-dealer may be higher than what another, equally capable broker-

dealer might charge. Except for the benefits received from CSI, AWM currently has no other soft dollar arrangement in place. The following discussion is intended to provide clients with certain important information regarding such practices, including the potential conflicts of interest that may arise should AWM enter into any soft dollar arrangement.

The custodial services include research, brokerage, custody, access to mutual funds and other investments that are otherwise available only to institutional investors or would require a significantly higher minimum initial investment. CSI, Fidelity, Deutsche Bank, and Millennium Trust also make available to AWM other products and services that benefit AWM but may not benefit its clients' accounts. Some of these other products and services assist AWM in managing and administering clients' accounts (*e.g.*, software, other technology, and client account data such as trade confirmations and account statements), facilitate trade execution, provide research, pricing, information and other market data, facilitate payment of AWM's fees from its client accounts, and assist with back office support, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of AWM's accounts. Consequently, AWM may have an incentive to select or recommend these broker dealers based on its interests in receiving the research and other services rather than on its clients interests in receiving most favorable execution.

The receipt of such services may benefit AWM, because AWM does not have to produce or pay for the research or other products or services when it obtains such products and services by using client commissions. Although customary, these arrangements present potential conflicts of interest in allocating securities transactional business to broker-dealers in exchange for soft dollar benefits, including an incentive to select or recommend a broker-dealer based on AWM's interest in receiving the research or other products or services, rather than on clients' interest in receiving most favorable execution. Additionally, AWM may have an incentive to effect more transactions than might otherwise be the case in order to obtain those benefits. The agreements between AWM and its clients generally authorize AWM to use client soft dollars for a wide range of purposes. The extent of any such conflict depends in large part on the nature and uses of the services and products acquired with soft dollars.

AWM's policy is to comply with the provisions of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)") when entering into soft dollar arrangements. Section 28(e) recognizes the potential conflict of interest involved in this activity, but generally allows investment advisers to use client commissions to pay for certain research and brokerage products and services under certain circumstances without breaching their fiduciary duties to clients. For these purposes, "research" means services or products used to provide lawful and appropriate assistance to AWM in making investment decisions for its clients. "Brokerage" services and products are those used to effect securities transactions for AWM's clients or to assist in effecting those transactions.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research and brokerage products and services which assist AWM in its investment decision-making process. AWM may cause clients to pay commissions that are higher than those that another

qualified broker-dealer might charge to effect the same transaction where AWM determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received.

Research and other products and services purchased with soft dollars will generally be used to service all of AWM's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio, as permitted by Section 28(e). In other words, there may be certain client accounts that benefit from the research services, which did not make the payment of commissions to the broker-dealer providing the services.

Research and related services furnished by brokers may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications; recommendations as to specific securities; portfolio evaluation services; financial database software and services; computerized news, pricing and statistical services; and discussions with research personnel, along with hardware, software, data bases and other technical and telecommunication services and equipment utilized in the investment management process. Research received by AWM under such soft dollar arrangements may include both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.

AWM participates in CSI, Deutsche Bank, Millennium Trust's institutional customer programs and may recommend CSI, Deutsche Bank, Millennium Trust to clients for custody and brokerage services. There is no direct link between AWM participation in the program and the investment advice it gives to its clients, although AWM may receive economic benefits through its participation in the program. These benefits include, among other things, the following products and services which AWM receives 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 service adviser participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client); 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 transactions fees and to certain institutional money managers; and discounts on marketing, technology and practice management products or services provided to AWM by third-party vendors. CSI, Deutsche Bank, Fidelity, Millennium Trust also may pay for business consulting and professional services received by AWM or its employees. Some of the products and services made available by CSI, Deutsche Bank, Millennium Trust through the program may benefit AWM but may not benefit its client accounts. These products or services may assist AWM in managing and administering client accounts, including accounts not maintained at CSI, Deutsche Bank, Fidelity, Millennium Trust. Other services made available by CSI, Deutsche Bank, Millennium Trust are intended to help AWM manage and further develop its business enterprise. The benefits received by AWM or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to CSI, Deutsche Bank, Fidelity, Millennium Trust. As part of its fiduciary duties to clients, AWM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by AWM in and of itself creates a potential conflict of interest and may indirectly

influence AWM choice of Charles Schwab, Deutsche Bank, Millennium Trust for custody and brokerage services.

In the event AWM receives a software maintenance credit from any of the client custodians AWM will use this credit to help offset a portion of the annual maintenance fee for our portfolio management software. All clients benefit from this credit as it reduces the firm's overall expenses. AWM's selection of client custodians is not affected by this nominal credit.

Order Aggregation

When possible, CSI, or other brokers used by clients, may bunch orders of various clients for execution, which generally results in lower commission rates being attained. AWM periodically reviews the trade reports provided by such brokers to ensure that no client is favored over any other.

AWM seeks to allocate transactions and opportunities among the various accounts it manages in a manner it believes to be as equitable as possible. When doing so, AWM considers each account's objectives, limitations and capital available for investment.

Prime Brokerage, Custody, Clearing and Settling - Partnerships

AWM has a prime brokerage arrangement with the following registered broker-dealers (the "Prime Broker"): Stone and Youngberg, Deutsche Bank. Under this arrangement, the Prime Broker, among other things: (i) arranges for the receipt and delivery of securities bought, sold, borrowed and lent; (ii) makes and receives payments for securities; (iii) maintains custody of cash and securities; (iv) tenders securities in connection with tender offers, exchange offers, mergers or other corporate reorganizations; and (v) provides detailed portfolio and related reports. AWM may cause clientele to pay for custodial and related services either in cash or by allocating a portion of its business to the Prime Broker.

Item 13: Review of Accounts

Periodic Reviews

Investment advisory accounts are reviewed by the principal normally on at least a quarterly basis while the individual assets recommended and used in the portfolio allocations are reviewed on at least a monthly basis by the adviser. Periodic investment committee meetings discuss the following: general conditions in the U.S. and foreign economics, stock and bond markets, and specific stock and bond analysis generated from both internal and external sources.

All accounts are reviewed by their designated adviser. There are no set minimum or maximum number of accounts reviewed by an advisor and compliance with stated client objectives is reviewed by the Chief Investment Officer and/ or the Chief Compliance Officer no less than on a quarterly basis.

The review of accounts includes suitability of investments, asset allocation in relation to risk level, changes in clients' goals or circumstances, market direction, economic factors, performance of securities, and/or political and world events.

Review Triggers

A variation in an investors' own life situation or psychology may trigger a review of accounts. In addition, changes in monetary and fiscal policy, inflation, supply and demand, geo-political and social factors are monitored continuously. Factors Triggering reviews and perhaps triggering investment changes include: changes in regulatory or tax conditions, changes in the general condition of the economy, changes in currency, stock or bond markets and changes in any type of investment vehicle or individual security, owned by clients.

Regular Reports

Account reviewers are members of the firm's Investment Committee. They are instructed to consider the client's current security positions and the likelihood that the performance of each security will contribute to the investment objectives of the client.

Monthly account statements are prepared by the custodian and are mailed directly to each client. Additionally, each client receives a transaction confirmation whenever an investment is bought or sold. Quarterly reports are provided by AWM upon request. The adviser will furnish to any client upon request or at scheduled meetings with the client, a report detailing performance, asset allocation, and asset holdings. Reports detailing year to date gain/losses and transactions are also available upon request.

Item 14: Client Referrals and Other Compensation

Compensation for Client Referrals

If a client is introduced to AWM by an affiliated solicitor, AWM may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee shall be paid solely from AWM's advisory fee, and shall not result in any additional charge to the client. If the client is introduced to AWM by a solicitor, the solicitor shall provide the client with a copy of AWM's Form ADV Part 2 or other written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. The solicitor is required to obtain the client's signature acknowledging receipt of AWM's disclosure brochure and the solicitor's written disclosure statement. Since in some states, a solicitor is also required to be qualified and registered as an investment adviser representative, AWM has developed internal controls for ensuring registration as required.

Affiliations

AWM has arrangements that are material to its advisory business which includes Arete Wealth Management, other investment advisers, accounting firms, law firms, managing broker dealers, insurance company or agency, and other entities that create limited partnerships.

AWM does not receive additional fees for referring clients to these arrangements. Individuals associated with AWM may receive typical and ordinary compensation related to securities or related placement agency transactions. This will not increase any fees to AWM clients.

Please refer to Item 10 for additional information. IAR's of AWM who are affiliated with Arete may participate in placement or distribution fees from investments or products. The fair market value of such interests may be subject to an assets under management fee or other fee. Any such fee generated by an investment adviser representative will generally be shared with AWM. As a result, one or more of the principals may receive compensation indirectly as a result of investments in the participation due to the principal's ownership or management in an affiliated entity or an RIA that is recommending investments in the offerings or transactions.

Other Compensation

Please refer to the paragraph above (Affiliations) and Item 10 and 12, which describe AWM's other compensation arrangements.

Item 15: Custody

Pursuant to Rule 206(4)-2 of the Advisors Act AWM is deemed to have custody of client funds because it has the authority and ability to debit fees from clients' accounts. To mitigate and potential conflict of interest all AWM client account assets will be maintained with an independent qualified custodian.

AWM does not physical custody of client assets. The client always maintains asset control, and can choose to custody assets at a variety of third party firms, such as CSI, Deutsche Bank, Millennium Trust, Orchard, or First Mercantile Trust, or can custody certain assets directly. AWM places trades for clients under a limited power of attorney that includes both full and limited discretion engagements.

Account Statements

All assets are held at qualified a custodian, which means the custodians provide account statements directly to clients at their address of record at least quarterly.

Performance Reports

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by AWM and call AWM with any questions.

Net Worth Statements

Clients may generate net worth statements and net worth graphs through our client relationship management system. Net worth statements contain approximations of bank account balances provided by the client, as well as the value of land and hard-to-price real estate. The net worth statements are used for long-term financial planning where the exact values of assets are not material to the financial planning tasks.

Please refer to Item 12 for additional important disclosure relating to AWM's practices and relationships with custodians.

Item 16: Investment Discretion

Discretionary Authority for Trading

AWM accepts discretionary authority to manage securities accounts on behalf of clients. AWM has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. However, AWM consults with the client prior to each trade to obtain concurrence if a blanket trading authorization has not been given.

AWM may also select the broker-dealers for trade execution at its discretion. In selecting a broker for any transaction or series of transactions, AWM may consider a number of factors, including, for example, net price, the financial stability and reputation of the broker, the quality of the investment research, investment strategies, special execution capabilities, clearance, settlement, custody, record keeping and other services provided by such broker. AWM will negotiate the commission rate clients will pay. Clients may pay commissions or fees that are higher or lower than those that may be obtained from elsewhere for similar services. AWM does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

Discretionary trading authority facilitates placing trades in your accounts on your behalf so that we may promptly implement the investment policy that you have approved in writing.

Limited Power of Attorney

By signing AWM's discretionary advisory agreement, client authorizes AWM to exercise discretionary authority with respect to all investment transactions involving the client's account. Pursuant to such agreement, AWM is designated as the client's attorney-in-fact with discretionary authority to effect investment transactions in the client's account which authorizes AWM to give instructions to third parties in furtherance of such authority.

Item 17: Voting Client Securities

Proxy Votes

AWM will vote any and all proxies for any account on which it has proxy voting authority. Decisions about how to vote on a proxy will be made based on the best interests of an account. In general, AWM will vote in favor of routine proposals, such as those for the election of auditors, and against proposals that in any way restrict a shareholder's ability to realize the full potential value of their investment, such as anti-takeover measures and cumulative voting rights). Other proposals, such as officer and director stock plans, will be reviewed on a case-by-case basis. In the event that voting on a proposal may cause a conflict of interest, AWM will vote as described above unless doing so does not address the potential conflict. In this case, AWM will communicate the proxy information and intended vote to the client. AWM will vote these proxies as decided by the client unless client does not respond within a reasonable period of time, in which case AWM will vote as communicated to the client.

Item 18: Financial Information

Financial Condition

AWM does not have any financial impairment that will preclude the firm from meeting contractual and fiduciary obligations to clients and has not been the subject of a bankruptcy proceeding.

A balance sheet is not required to be provided because AWM does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.