



ARETE WEALTH ADVISORS, LLC

Form ADV Part 2A – Disclosure Brochure

December 31, 2014

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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 (312) 940-3684. 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

On March 31, 2014, all sections of this ADV were extensively revised.

On September 2, 2015, the address and phone number of Arete Wealth Advisors, LLC were updated.

On September 2, 2015, additional disclosures about compensations were made.

Item 3 -Table of Contents

Item 2 – Material Changes.....	2
Item 3 – Table of Contents	3
Item 4 – Advisory Business.....	4
Item 5 – Fees and Compensation.....	7
Item 6 – Performance-Based Fees and Side-By-Side Management	9
Item 7 – Types of Clients	9
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	10
Item 9 – Disciplinary Information	21
Item 10 – Other Financial Industry Activities and Affiliations	21
Item 11 – Code of Ethics	23
Item 12 – Brokerage Practices	24
Item 13 – Review of Accounts	25
Item 14 – Client Referrals and Other Compensation	25
Item 15 – Custody	26
Item 16 – Investment Discretion	20
Item 17 – Voting Client Securities	20
Item 18 – Financial Information	20
Brochure Supplement(s)	

Item 4 – Advisory Business

A. Description of Arete Wealth Advisors, LLC

Arete Wealth Advisors, LLC, an Illinois limited liability company (“Arete,” “we” or “the firm”), is an investment adviser registered with the United States Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940 (the “Advisers Act”). Please note that registration with the SEC does not imply a certain level of skill or training. Arete is wholly owned by a parent holding company, Old Growth Capital, LLC. This section describes Arete, and explains the types of advisory services that we offer, including investment consulting, discretionary advisory, pre-retirement and financial planning services (together the “advisory services”).

Arete has offered professional asset management services since it was formed in 2007 and been registered with the SEC since January 2009. We provide investment advisory services to individuals, pension and profit sharing plans, trusts, estates and charitable organizations and other corporate and business organizations (the “Clients”). Item 7 of this brochure contains more information regarding the types of Clients to which we provide advisory services.

B. Advisory Services Offered by Arete

Discretionary Advisory

The predominant way Arete furnishes investment advice is through Discretionary Advisory services. Discretionary Advisory services begin with a detailed financial assessment of the Client, including risk tolerances and investment objectives. The investment advisory representative (an “Advisor”) will use information provided by the Client to identify an appropriate strategy, which will be incorporated into an Investment Policy Statement (“the Investment Policy” or “IPS”). After the IPS is developed, the Advisor will carefully reviewed it with the Client.

If the IPS is accepted by the Client, the Client grants investment discretion their Arete Advisor to manage his or her assets in accordance with IPS. The Arete Advisor will then create a portfolio using a mix of investments that can include investments such as stocks, bonds, mutual funds (stock funds, bond funds and other asset classes), options, warrants, real estate investment trusts (“REITs”), exchange-traded funds (“ETFs”), alternative investments, and other securities. For more detail about investment types please refer to part C below.

The Arete Advisor may recommend the use of a third party money manager for independent expertise on asset allocation. More information about third party money managers can be found in Part C below.

Internally developed asset allocation models created by an Arete Advisor called global dynamic asset allocation (“GDAA”), and the value + quality + momentum + timing (“VQMT”) models are also available. The GDAA, VQMT, and similar models are strictly rule-based allocation models. Although the models have strict parameters, this trading is still considered “discretionary.”

After the portfolio is created and implemented, the Arete Advisor will continuously monitor the portfolio and adjust as necessary.

Investment Consulting

A less frequently used way Arete Advisors provide investment advice is through Investment Consulting. Investment Consulting begins with a detailed financial assessment of the Client in order to identify the Client's financial objectives and goals for the engagement, including risk tolerances and investment objectives. The Arete Advisor will use information provided by the Client to identify an appropriate strategy. The Advisor will then provide investment recommendations to the Client, either in terms of the asset class, or specific type of security, based upon the identified strategy. The Advisor will consult with and advise the Client regarding its investments.

Investment Consulting Clients do not grant Arete any investment discretion or trading authority. Investment Consulting is obtained either through a Non-Discretionary Advisory Agreement or a Consulting Agreement. The Non-Discretionary Advisory Agreement is used when a Client places assets with one of Arete's custodians. The Consulting Agreement is for assets maintained outside of Arete's custodians, and is also used for the purpose of non-discretionary advisory services. For more information on Investment Consulting please refer to the Consulting Agreement or Non-Discretionary Advisory Agreement.

Financial Planning

Arete offers financial planning services to Clients on a comprehensive or limited focus basis. Financial plans may encompass all or some of the following areas of financial concern to the Client:

- Investments;
- Asset allocation review and recommendations;
- Cash management;
- Insurance planning/Risk management;
- Estate planning goals;
- Retirement planning;
- Education planning;
- Wealth transfer between generations and to charitable organizations;
- Family office services
- Private asset management

Arete Advisors obtain the necessary financial information through personal interviews with the Client. This interview will address topics such as financial status, future goals and attitude towards risk. The Advisor will also review related documents and data supplied by the Client. A written financial plan may be prepared and provided. The implementation of financial plan recommendations is entirely at the discretion of the Client. Financial plans are not limited in any way to products or services provided by any particular company. However, in general, only products and services that Arete is able to provide will be offered. For more information on products that may be offered, please refer to Part C below.

C. Personalized Service and Product Types

We individualize our services depending on the nature and type of Client (i.e. individual, pension plan, charitable organization or other). Clients can place reasonable restrictions on the types of investments that will be made on their behalf. Arete reserves the right to not accept, or to terminate, an account if Arete believes the restrictions imposed are not reasonable or prohibit effective management of the account. Arete is not obligated to implement other investment selections if it believes such investments are inconsistent with a Client's risk tolerance or Arete's management style.

Pension Plans, Charitable Organizations, Trusts and Estates

Generally, pension plan, charitable, and trust and estate Clients provide their Advisors with an investment policy to follow, which is review regularly. The Arete Advisor will invest the assets in accordance with the 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. The Arete Advisor will work directly with the Client and any other of the Client's advisors to build and protect wealth over the long term.

Arete Advisors ask each Client to complete an investor questionnaire to assist us in developing investment objectives that reflect each Client's unique goals, liquidity requirements, risk-tolerance and time horizon. This questionnaire is called the Investment Policy Statement (the "IPS"). Clients may have multiple Arete accounts, and each may have different investment objectives. Advisors review the questionnaire periodically (at least annually) to be sure the objectives continue to meet the Client's particular needs and goals. Risk tolerance levels will be documented in the IPS.

In this process, Advisors also assist the Client in developing appropriate allocation objectives. However, market volatility can sometimes change asset values. When this happens, the values of the assets may become inconsistent with the Client's desired allocation objective. If appropriate, the Advisor may rebalance the portfolio to align with the allocation objectives. Rebalancing the portfolio can lead to additional trading costs.

One exception to this are the global dynamic asset allocation (GDAA) and the value + quality + momentum + timing (VQMT) 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.)

Third-Party Money Manager Relationships

Arete Advisors may recommend all or a portion of the Client's assets in an account be managed by a third-party money manager. If that is the case, the Advisor will ask for authorization to use discretion in selecting or changing an outside money manager without prior notice. In some cases, for greater transparency, this combined fee may be separately itemized on Client's statements, one part showing the third-party money managers subcomponent.

Product Types

Subject to the Client's advisory agreement, the Advisor may invest and reinvest Client's assets in a variety of securities and other investments. In addition, Arete Advisors may use these investment options in different variations and levels to meet the specific need of the individual Client. These securities and other investments may include, among other securities or other investments permitted under client investment guidelines:

- Equity securities;
- Exchange-listed securities;
- Warrants;
- Corporate debt securities (other than commercial paper);
- Certificates of deposit;
- Municipal securities;
- Investment company securities;
- Variable life insurance;
- Variable annuities;
- Mutual fund shares;
- United States government securities;
- Options contracts;
- Exchange traded funds;
- Real estate investment trusts (REITs);
- Limited partnerships;
- Hedge funds;
- Private equity;
- Interests in partnerships investing in:
 - Real estate
 - Oil and gas interest

Individuals associated with Arete, either as an Advisor or otherwise, may have an interest in some of these investments. Please refer to Section F below and Item 10 below for further information.

Some of the investments approved for sale by Arete Advisors require considerable time and resources for proper review and investigation. If Arete approves an investment for sale, Arete may request reimbursement from the investment sponsor for the time and resources required to evaluate the investment. Please refer to Item 14 below for further information.

D. Wrap Fee Program

Wrap fee programs combine investment advisory service charges, and some transaction charges and third party money manager fees (if applicable) in a single asset based fee. Arete participates in TD Ameritrade Institutional's wrap fee program. Please note that the wrap fee accounts may charge 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).

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

Arete receives a portion of the wrap fee as compensation for the investment advice provided by our Advisor and for administering the wrap fee program.

E. Assets Under Management

As of December 31, 2014, Arete had approximately \$588,528,554 in total assets under management, the vast majority of which is managed on a discretionary basis.

F. Important Information Regarding Conflicts of Interest

Examples of actual or potential conflicts of interest arising from Arete's advisory services may include, but are not limited to:

- Conflicts related to allocating time and resources between client accounts, allocation of brokerage commissions and investment opportunities generally;
- Recommendations for investment in investment vehicles in which some of our related persons have an interest. We have an incentive to recommend these products. Please refer to Item 10 below for further information;

Actual or potential conflicts of interest generally can be addressed in a number of ways, including the following:

- Prohibition – Arete prohibits the conduct that gives rise to the conflict of interest (*e.g.*, insider trading is prohibited under our Code of Ethics);
- Disgorgement – Arete gives a received benefit to a Client (*e.g.*, covering a Client's transfer fee on transition to an Arete custodian);
- Disclosure/Consent – Arete discloses the conflict of interest to the Clients (*e.g.*, Arete discloses whenever an Advisor recommends an investment in which any of our related persons have an economic interest); or
- Setting a *De Minimis* Threshold – Arete sets a threshold for a benefit that is considered too small to influence conduct, and is therefore permitted. These thresholds mirror brokerage industry standards.

Arete has adopted a Code of Ethics as required under SEC rules (Please refer to Item 11 below for further information on our Code of Ethics). Arete also has compliance policies and procedures in place to mitigate and address the above-referenced conflicts of interest. Arete believes such policies and procedures are reasonably designed to treat Clients fairly and seek to prevent clients from being systematically favored or disadvantaged. Our compliance policies provide for various auditing and testing of our policies and procedures and are reviewed no less frequently than annually as required by SEC rules. Clients should refer to other sections of this Brochure noted above for more specific information on conflicts of interest and how they are addressed.

Item 5 – Fees and Compensation

Depending upon the type of advisory service to be provided, Clients generally have a choice regarding the manner in which fees will be calculated for such services. Options for calculating fees include the following:

- Percentage of assets under management;
- Hourly charges;
- Flat fees; or
- Some combination of the above.

Generally speaking, fees are negotiable from Client to Client, and are tailored to the specific types of services that Arete provides to that Client.

A. Amount of Our Fees

Calculation Based on Assets under Management:

This is the most common way Arete calculates fees. This is a calculation based on a percentage of assets managed for the Client. As noted above, fees may be negotiated and is specific to the Client's arrangement with Arete. Arete's standard fee schedule for both individual and non-individual Clients is the following:

ASSETS UNDER MANAGEMENT	MAXIMUM ANNUAL FEE
\$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 generally require a \$50,000 initial minimum account balance which may be waived based upon the individual needs and complexity of the particular client situation. The final fee schedule will be attached to the advisory agreement.

Financial Planning

Arete Advisors can charge either an hourly fee or a flat fixed fee for Financial Planning services (as defined above). Hourly fees and fixed fees for these services are negotiated between the Advisor and each Client. The final fee structure will be disclosed in the advisory contract.

B. Payment of Fees

Arete deducts the fees directly from Client accounts at the end of each month or quarter, unless negotiated otherwise. The Client may terminate the account within five (5) days written notice. Arete does not have a refund policy because the fees are charged in arrears. There is no fee owing or penalty should the Client choose to terminate the account within five (5) days of account opening.

Sub-Advisors

Sub-advisory or third party money management fees will be paid by Arete from the fees collected from Clients. This fee is calculated by assets under management unless mutually agreed otherwise by Arete and the Client.

Financial Planning

Financial Planning fees are charged on either a flat fixed fee or hourly rate basis. The Client and Advisor will negotiate the terms of payment. 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).

C. Ticket Charges

Clients are charged a per transaction ticket charge. The amount of the charge depends on the particular negotiated fee the Arete Advisor has negotiated with the custodian holding the Client's assets. These fees result in no income to Arete or the Advisor 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) and the value + quality + momentum + timing (VQMT) 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, Arete 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.

D. 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 Arete to understand the total amount of fees paid in mutual funds.

Mutual Fund Fees

Fees Clients pay Arete 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 Arete's services. In that case, the Client would not receive the services provided by Arete 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 Arete's fees to fully understand the total amount of fees being charged for Arete advisory services.

E. Additional Compensation

Arete Advisors may act as "registered representatives" of Arete Wealth Management, LLC, a broker-dealer affiliated with Arete, and receive compensation for some of the services provided in correlation with the advisory services. Arete Advisors may also sell insurance through the Arete Insurance Agency, LLC, and insurance agency affiliated with Arete. Arete Advisors may receive an economic benefit in the form of commissions for insurance transactions conducted through this insurance agency. Clients are not obligated to purchase insurance through Arete Insurance Agency, LLC.

Advisors may receive additional individual benefits upon joining Arete. These benefits may include significant loans with forgivable terms and/or ownership interests in Arete with the potential for significant appreciation. The amount of benefits is determined in negotiations between Arete and the Advisor prior to association and generally is in relation to the amount of business expected to transfer to Arete.

Advisors may receive non-cash compensation based on clearing firm arrangements. Depending on the custodian, this may include software, productivity tools and other administrative tools that assist in general trade handling and performance reporting.

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

The Arete Advisor may recommend a third party asset manager, also known as a sub-advisor, called Dunham & Associates Investment Counsel. Dunham has two different strategies that employ a performance based fee for compensation to both Dunham and your advisor with Arete. For these portfolios, there are no ongoing management fees, and there is no fee charged if your account with this sub-advisor loses money. A fee is only charged if your account goes up in value. For details on how this program works and how the fees are determined, please refer to Dunham's ADV Part II. You can click on the links below to access those documents.

[Dunham Form ADV Part II](#)

[Wrap Fee Program Brochure](#)

Item 7 – Types of Clients

Arete generally provides advisory services to:

- Individuals – High Net Worth and Ultra High Net Worth;
- Pension and Profit Sharing Plans;
- Trusts, Estates and charitable organizations; and

- Other corporate and business entities

Account Requirements

Generally, we require a \$50,000 initial minimum account balance. We may waive the requirement based upon the Client's needs and complexity of account. Arete's investment management services may not be beneficial to non-accredited investors, as the relatively higher advisory fees and trading and transaction costs may have a negative impact on performance. See Item 5 of this Brochure for more information regarding advisory fees and the other fees and expenses those clients may pay in connection with our advisory services.

General Note Regarding Managed Account Platforms and Wrap Programs

Access to certain third-party money managers, platforms, and programs may be limited to certain types of accounts and may be subject to account minimums, which will vary and may be negotiable depending upon the third-party money managers, platforms, and programs selected. Such minimums will be disclosed through separate disclosure documents.

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

A. Methods of Analysis

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

ANALYSIS	DESCRIPTION	RISK INVOLVED	SOURCES OF INFORMATION
Charting	Displaying the performance of a security for review in a graphic version. It can be setup for any length of time and helps determine how the security will perform over time. Normally it is used to predict trends within the security during certain time frames.	There is no guarantee that past trends will reoccur. Individuals can project that based on the chart a security will perform one way when there is no guarantee of that performance.	Prospectuses, research materials, financial newspapers and magazines
Fundamental Analysis	Looking at the historical and present financial statements of a company. Reviewing the revenue, expenses, assets and liabilities to gain insight on a company's future performance. This analysis will also factor in the overall economy and industry specific conditions.	Individuals can read and project the statements differently and therefore believe different outcomes will occur.	Inspection of corporate activities, annual reports, filings with the SEC
Technical Analysis	Reviewing patterns and trends of a specific security/sector. Using data of past prices and volume the goal is to	Analysis and execution of the data is at the discretion of the person reviewing the data. Past performance is not a	Research materials, inspections of corporate activities, annual reports, filings with the SEC

	predict what a security will do in the future.	guarantee of future performance.	
Quantitative Analysis	Technique that tries to understand the behavior of a security/sector by using complex mathematical and statistical modeling. It can be used for performance evaluation, valuation of an instrument or to attempt market event predictions.	Quantitative analysis does not factor in all variables. This technique uses what is believed to be appropriate formulas and processes to determine the proper path. There is no way to guarantee that this thinking is correct.	Inspection of corporate activities, annual reports, filings with the SEC
Cyclical Analysis	We measure the movement of a particular stock against the overall market in an attempt to predict the price movement of the security.		
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 ratio of securities, fixed	A risk of asset allocation is that the client may not participate in sharp increases in a particular security,	The global dynamic asset allocation (GDAA) models discussed earlier differ slightly from this general statement.

	<p>income, and cash suitable to the client's investment goals, time horizon and risk tolerance.</p> <p>Another exception are models like the VQMT approach mentioned earlier. While they may invest in only one broad asset class (all stocks in the case of VQMT, for example), they diversify over enough different securities to largely mitigate any individual security risk and instead attempt to capture desirable attributes (such as being undervalued, and/or of higher than average quality, etc.) that those securities are thought to share.</p>	industry or market sector.	<p>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.</p>
Mutual Fund and/or ETF Analysis	<p>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</p>	<p>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</p>	

	<p>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.</p>	<p>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.</p>	
<p>Third Party Money Manager Analysis</p>	<p>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</p>	<p>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</p>	

	overall periodic risk assessment.	and we may be unaware of the lack of internal controls necessary to prevent business, regulatory and reputational deficiencies.	
General Risk 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 inaccurate, there is always a risk that our analysis may be compromised by inaccurate or misleading information.		

Other analysis methods may be utilized in vetting potential investments for Clients, including, but not limited to, conducting operational due diligence on third-party money managers and unaffiliated pooled investment vehicles

B. Strategies Used to Manage Client Assets

Arete Advisors may 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.

INVESTMENT STRATEGIES	DESCRIPTION	RISKS INVOLVED	CLIENT RELATED INFORMATION
Long-term Purchases	Securities held at least one year.	Not able to take advantage of short term gains or get out during a losing period.	This is the basic premise used for long-term investing. Most investors fall into this category.
Short-term Purchases	Securities sold within one year.	Potential to sell/buy too early/late. Miss out on gains or receive too many losses. Increased trading costs and greater tax liabilities.	This is used for an active account. For those looking for long-term investing but keep an eye on the assets under management for growth opportunities.
Short Sales	Sale of a stock that an investor does not own	The loss potential in theory has no limit.	Often used as a hedge strategy to manage the

	or a sale which is consummated by the delivery of a stock borrowed		risks of long investments or when one believes the market is a specific security is going down. Shorting is normally only for clients with large net worth and liquid assets.
Margin Transactions	Transactions that a broker/dealer extends credit to customer in a margin account to assist in the purchase of a security	Purchasing securities on margin can amplify potential returns and losses. As such, purchasing securities on margin may result in losses greater than an advisory client's original principal. Clients should carefully review disclosures regarding risks, fees, and other considerations appearing in margin account agreements prior to opening margin accounts.	This is for sophisticated investors with large net worth and liquid assets to cover losses if necessary. They are looking to obtain a large gain while putting themselves at a higher risk.
Option Writing	Investing in an option to execute an investment at a certain price expecting the price of the underlying stock to increase or decrease	Depending on the type of option will determine the level of risk. You can have anywhere from an unlimited loss to just a minimal fee per month for holding the option.	The type of client involved in options trading will depend on the type of option. Most investors can be involved with covered options while only sophisticated investors should be involved with uncovered options.
➤ Call Option	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.		
➤ Put Option	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.		
➤ Covered Options	Investor writes a call option while owning the same number of shares of the underlying stock.	The risks involved with covered options are the amount you invested. If the security you are writing an option against becomes worthless than you would lose your whole investment minus the premiums received for holding the option.	Most investors with a basic understanding of options normally invest in covered options. They are normally trying to place a hedge on a currently held position and earn premium income.
➤ Uncovered options	Investors writes a call option while not owning the underlying stock	The risk potential is for an unlimited loss if the market moves opposite of what is expected and underlying security cannot be located.	This is for sophisticated investors with large net worth and liquid assets to cover losses if necessary. They are looking to obtain a large gain while putting themselves at a higher risk.

➤ Spreading strategies	Buying and selling of the same option contract.	You are limiting the potential gain you could receive by using spreads. The costs are higher because you are purchasing 2 options to setup the strategy.	Spreading strategies are for investors will a good understanding of options. They are used for investors looking to hedge positions or hedge their losses while still obtaining the objective of growth. In addition, to potentially receiving premiums from holding a contract.
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Arete derives the information for the fundamental analysis described above from financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the SEC and other sources that will assist in the analysis. As indicated by the chart above certain sources of information are more prevalent in the fundamental analysis for certain methods/strategies. Other investment strategies may be chosen if they meet a client's particular financial needs, risk profile, and overall investment strategy.

Arete has a due diligence committee tasked with reviewing and performing due diligence on potential investments, third-party money managers and private investments among other things.

C. Risk of Loss

Securities investments are not guaranteed and Clients may lose money on investments. The Arete Advisor will work to understand tolerance for risk for each Client.

D. Risk of Strategies

Investments in different vehicles can lose money over short or even long periods. Clients should expect the investment's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. Investment performance could be hurt by:

- Stock market risk: the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.
- Sector risk: the chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market. Depending on how the vehicle allocates assets, it may invest all, or substantially all, of its assets in the consumer discretionary sector, the investment's performance largely depends—for better or for worse—on the general condition of that sector. Companies in the consumer

discretionary sector could be affected by, among other things, overall economic conditions, interest rates, consumer confidence, and disposable income.

- Non-diversification risk: the chance that the investment's performance may be hurt disproportionately by the poor performance of relatively few stocks or even a single stock. An investment is considered non-diversified, when it may invest a greater percentage of its assets in the securities of a small number of issuers as compared with other mutual funds.
- Investment style risk: which is the chance that returns from small- and mid-capitalization stocks (to the extent that the clients' assets are invested in small- and mid-cap stocks) will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-cap stocks that dominate the overall market, and they often perform quite differently.
- Investment Company Risk: by investing in mutual funds you risk the potential of not capitalizing on the growth of the overall stock market. If some of the underlying stocks run up in price, mutual funds may not be able to capitalize on the appreciation due to the potential of other underlying stocks not appreciating as much. In addition, the fees associated with investing in mutual funds may be more than if you were to purchase the underlying shares directly.
- Private Equity Risk: private equity is normally an investment with companies or sectors that are not publicly traded. These investments are normally very illiquid; therefore they are not ideal for clients with frequent cash needs. There is normally no public market for private equity shares, if investors need to sell their shares they will so mostly like at a substantial discount. The risk of investing with a private equity is the majority or complete loss of invested funds depending on the underlying companies. In addition, investors may not see any return on investment for some time depending on the type of investment; these investments should be seen as a long-term investment.

Item 9 – Disciplinary Information

Arete and its management personnel have no reportable disciplinary events to disclose.

Item 10 – Other Financial Industry Activities and Affiliations

A. Registrations and Affiliations

As noted in Item 4, we are owned by our Advisors 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 a member of SIPC and NFA and is registered in various states as required;
- Arete Insurance Agency, LLC, an Illinois limited liability company;
- Arete Consulting, LLC, an Illinois limited liability company.

B. 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.

C. 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.

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.

Note that in the case of asset allocation models developed on a proprietary basis by an Arete Advisor, while there is no referral fee paid to Arete by this Advisor, any sub-advisory fees received by that Advisor-as-portfolio-manager from other Advisors' clients' are treated as part of that creator of the asset allocation model's overall practice revenue, of which Arete retains a share.

Investments with the personal involvement of individuals associated with Arete

D. Investments Involving Arete Advisors

As previously disclosed, Arete Advisors may recommend investments in which individuals associated with Arete are personally involved. For instance, some product have an Arete Advisor who is the general partner of the investment and who directs the investment theory or business decisions of that investment.

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.

Item 11 – Code of Ethics

A. 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; and
- 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, UnBo (Bob) Chung, at (312) 940-3684 or the address on the cover page of this Brochure.

B. General Standards of Business Conduct; Insider Trading

The Code was developed to provide general ethical guidelines and specific instructions regarding the duties owed to advisory clients. All access persons must act with competence, dignity, integrity, and in an ethical manner, when dealing with clients, the public, prospects, third-party service providers and fellow access persons. Access persons must use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, trading, promoting Arete's services, and engaging in other professional activities. All access persons are expected to adhere to the highest standards with respect to any potential conflicts of interest with clients. As a fiduciary, Arete must act in its clients' best interests. In addition, and in compliance with Section 204A of the Advisers Act, and Rule 204-1 thereunder, Arete has adopted written policies and procedures that are embodied in the Code, designed to detect and prevent the misuse of material, nonpublic information.

Item 12 – Brokerage Practices

For Clients' accounts where Arete provides on-going money management or investment advice with on-going supervision, Arete 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.

A. Clearing and Custodial

Arete primarily uses Fidelity Institutional, TD Ameritrade Institutional, and Trade PMR 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 these custodians but this would be very rare.

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

Item 13 – Review of Accounts

Client accounts are monitored and reviewed by our compliance department. Client accounts are typically reviewed annually. 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.

Arete has retained and compensates Envestnet to provide various administrative services, including 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

A. Economic Benefits Received from Non-Client, Third-Parties for Providing Services to Clients.

Arete policies prohibit our related persons from accepting any form of compensation, including cash, sales awards or other prizes, in conjunction with the advisory services we provide to our clients.

B. Third Party Managers and Hedge Funds

Arete may have revenue-sharing arrangements with respect to certain third-party managed accounts and hedge funds recommended to Clients. No separate advisory fee is charged on such assets. However, Arete may receive a percentage of the advisory fees of the hedge funds and managed accounts.

C. Event Sponsorship

Periodically, Arete holds Advisor meetings which may be firm-only or include external attendees. These meetings provide sponsorship opportunities for investment issuers and other third party

providers. Sponsorship fees allow these companies access to our Advisors to discuss ideas, investments or services. The sponsorship fees go to assist in the payment of the meeting or future meetings. This could be deemed a conflict, as Arete may refer business to a certain investment issuer due to their attendance and sponsorship. Arete attempts to mitigate the conflict by having the fees go towards only the meeting and not as revenue for the company. Sponsorship fees are not dependent on assets placed with any specific provider, or the revenue generated by asset placement.

D. Due Diligence Fees

Some of the investments approved for sale by Arete Advisors require considerable time and resources for proper review and investigation. If Arete approves an investment for sale, Arete may request reimbursement from the investment sponsor for the time and resources required to evaluate the investment. Approval for sale is not contingent upon payment of a requested fee. These fees are not dependent on assets placed with any specific investment provider, or the revenue generated by asset placement.

Item 15 – Custody

Arete does not custody client funds and/or securities and acts in accordance of Adviser Act Rule 206(4)-2.

Item 16 – Investment Discretion

For many clients, Arete has been contractually given investment discretionary authority (*i.e.*, authority to act without first obtaining specific client consent to each investment transaction) to determine the securities to be bought or sold, and the amount of the securities to be bought or sold. This discretionary authority also allows Arete to determine the third-party money manager to be used for client account(s) through its money management platform.

Clients may impose reasonable restrictions on this authority, (*i.e.*, no defense stocks, no tobacco, etc.). All such restrictions shall be documented in writing. Clients may modify the imposed restrictions by providing the change to Arete in writing. Arete reserves the right to refuse to open an account or to terminate an account if it is believed, in Arete's sole opinion, that the restrictions placed are excessive and would limit its abilities to manage the account effectively and prudently. Clients should also understand that the imposition of portfolio restrictions may affect performance of the affected portfolio(s), either positively or negatively.

Please see Item 4 of this Brochure for additional information regarding our advisory services generally, but specifically including our discretionary advisory services.

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.