

# Aurum Wealth Management Group LLC

## Part 2A of Form ADV

### The Brochure

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This brochure provides information about the qualifications and business practices of Aurum Wealth Management Group LLC (“Aurum”). If you have any questions about the contents of this brochure, please contact us at 440-605-1900. 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 Aurum is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

Aurum's business activities have not changed materially since the previous filing in March 2011. However, in 2010 the SEC required significant changes to the content and format of Part 2 of Form ADV. This brochure, which reflects those changes, is materially different from brochures used by Aurum in prior years.

## Table of Contents

Material Changes .....	2
Table of Contents .....	2
Advisory Business .....	2
Fees and Compensation .....	4
Performance Based Fees and Side-by-Side Management .....	5
Types of Clients .....	5
Methods of Analysis, Investment Strategies and Risk of Loss .....	5
Disciplinary Information .....	7
Other Financial Industry Activities and Affiliations .....	7
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	8
Brokerage Practices .....	9
Review of Accounts .....	12
Client Referrals and Other Compensation .....	12
Custody .....	13
Investment Discretion .....	13
Voting Client Securities .....	13
Financial Information .....	13

## Advisory Business

Aurum is an investment adviser providing investment consulting and investment management services to individuals, high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities. Aurum generally invests client assets guided by the Aurum Asset Allocation Frameworks primarily among Independent Managers. Aurum may provide advice on client assets among mutual funds, exchange traded funds, independent separately managed accounts, hedge funds, managed futures, real estate investment trusts (REITs), individual debt and equity securities and/or options as well as the components of variable annuities and variable life insurance contracts in accordance with the investment objectives of the client.

Aurum works with clients to establish an appropriate investment profile and asset allocation framework for a long-term time horizon. Clients typically choose from conservative income, conservative balanced, moderate balanced, aggressive balanced, and aggressive growth frameworks, and can impose reasonable restriction on Aurum's management of their accounts. Aurum may tailor advisory services to individual needs of clients depending on specific needs such as cash flows, liquidity, risk tolerance, return expectations, etc.

Aurum may also 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, Aurum 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.

Aurum participates in wrap fee programs but is not a sponsor of a wrap fee program. It offers investment management services (branded “Aurum Advisory Services”) similar to other accounts through its Aurum Asset Allocation Frameworks without tailoring services to the individual needs of clients, though Aurum Advisory Services may allow reasonable restriction on investments. Aurum typically interacts only with intermediaries and has little contact with the end client. Aurum typically does not provide the end client with reports, so there is a difference among the level of service for wrap fee programs. Aurum receives a portion of the wrap fee for its services.

In performing its services, Aurum is not required to verify any information received from the client or from the client’s other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. Aurum may recommend the services of itself, its *Advisory Affiliates*, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if Aurum recommends its own services. The client is under no obligation to act upon any of the recommendations made by Aurum under an investment consulting engagement and/or engage the services of any such recommended professional, including Aurum itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of Aurum’s recommendations. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify Aurum if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Aurum’s previous recommendations and/or services.

Aurum works with corporate retirement plan sponsors by offering investment management services as an ERISA section 3(38) investment advisor. These services typically include offering portfolios for plan participant investment based upon the Aurum Asset Allocation Frameworks, implementing and monitoring investment options within the plan, communication and education for plan participants, and ongoing meetings with the plan investment committee. Aurum also works with corporate retirement plan sponsors and retirement plan providers as an investment consultant. These services typically include assisting plan sponsors in meeting fiduciaries duties with a prudent process of oversight of investment options within plans and ongoing meetings with the investment committee.

Aurum was founded in 2006 and is primarily owned by Christopher Bart, Eric Wulff, and SM Holdings LLC, an affiliate of Skoda Minotti. As of March 27, 2012, Aurum manages \$191.2 million in assets on a discretionary basis and \$6.7 million on a non-discretionary basis on behalf of approximately 93 clients.

## **Fees and Compensation**

Aurum charges most of its clients an annual investment management fee based on the following schedule:

<b><u>PORTFOLIO VALUE</u></b>	<b><u>ANNUAL FEE</u></b>
First \$1,000,000.....	0.95%
Next \$2,000,000 .....	0.75%
Next \$2,000,000 .....	0.50%
Next \$5,000,000 .....	0.40%
Next \$10,000,000 .....	0.30%
Above \$20,000,000 .....	0.25%

Aurum, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, pre-existing clients, employees, employee family members, account composition, account retention, *pro bono* activities, etc.).

Aurum charges fees quarterly in arrears based on the account value at the end of the prior quarter. If a client contributes to an account during a quarter, Aurum will prorate the fees on this contribution. Most clients authorize Aurum to deduct fees automatically from their brokerage accounts, but clients may request that Aurum send quarterly invoices to be paid by check.

For the initial quarter of investment management services, the first quarter's fees shall be calculated on a *pro rata* basis. The Investment Management Agreement between Aurum and the client will continue in effect until terminated by either party pursuant to the terms of the Investment Management Agreement. If a client terminates the investment management agreement with Aurum in the middle of a billing period Aurum will invoice the client for an amount that is pro-rated based on the number of days that the account was managed.

Aurum may provide certain of its clients with investment consulting services (which may include tax-related and other non-investment related matters). Aurum's investment consulting fees generally range from \$500 to \$10,000 on a fixed fee basis and/or from \$100 to \$300 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering of the investment consulting services. Those clients whom Aurum provides investment consulting services will receive reports from Aurum summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by Aurum.

Aurum charges corporate retirement plans, contracted under ERISA section 3(38), an annual investment management fee based on the following schedule:

<b><u>PORTFOLIO VALUE</u></b>	<b><u>ANNUAL FEE</u></b>
Less than \$10,000,000.....	0.40%
\$10,000,000 to \$15,000,000.....	0.35%
\$15,000,000 to \$20,000,000.....	0.30%
\$20,000,000 to \$30,000,000.....	0.25%
More than \$30,000,000.....	0.20%

A copy of Aurum's privacy policy notice and a written disclosure statement that meets the requirements of Rule 204-3 of the Investment Advisers Act of 1940, as amended ("Advisers Act"), shall be provided to each client prior to or contemporaneously with the execution of the Investment Management Agreement. Any client who has not received a copy of Aurum's written

disclosure statement at least forty-eight (48) hours prior to executing the Investment Management Agreement shall have five (5) business days subsequent to executing the agreement to terminate Aurum's services without penalty.

Clients may incur certain charges imposed by the *Financial Institution(s)* (such as Schwab, a broker-dealer selected by the client, trust companies, banks, etc.) and other third parties such as fees charged by Independent Managers, custodial fees, charges imposed directly by a mutual fund or exchange traded fund in the account, which shall be disclosed in the fund's prospectus or offering memorandum (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, fund performance or incentive fees, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to Aurum's fee. Clients may also be subject to tax liabilities due to investing in certain securities.

## **Performance Based Fees and Side-by-Side Management**

Aurum does not charge any performance fees. Some investment advisers experience conflicts of interest in connection with the side-by-side management of accounts with different fee structures. However, these conflicts of interest are not applicable to Aurum.

## **Types of Clients**

Aurum is an investment adviser providing investment consulting and investment management services to individuals, high net worth individuals, pension and profit sharing plans, defined contribution plans, trusts, estates, charitable organizations, corporations and business entities. Aurum does not impose an account minimum for starting or maintaining an account.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

Christopher Bart, Michael McKeown, and Eric Wulff are involved in the investment management process. The three meet periodically to discuss asset allocation, investment manager research, third-party investment research, fundamentals, technical analysis, and news events affecting global capital markets. All research involves risks that future market expectations may materially differ from actuality.

Aurum typically seeks to provide clients a long-term (greater than 10 years) investment framework to achieve objectives. Aurum seeks to do so by allocating assets among a mix of global equities, global and municipal fixed income, diversified alternative strategies, and cash. A client portfolio allocation is guided by the Aurum Asset Allocation Frameworks. The Frameworks are mix of five allocations: Conservative Income, Conservative Balanced, Moderate Balanced, Aggressive Balanced, and Aggressive Growth. Each allocation consists of varying weights within global equities, global and municipal fixed income, diversified alternative strategies, and cash. Clients choose the mix best suited for their needs with guidance depending on risk tolerance, cash flows, liquidity preferences, and return expectations. A material risk involved in choosing the asset mix is that long-term asset class forecasts will be significantly

different from expectations. Tactical asset allocation shifts also risk underperformance from the strategic asset allocation mix.

*Risks for various asset classes*

Investing in global equity securities have risks that include but are not limited to risk of loss, earnings risk, interest rate risk, inflation risk, company-specific risk, country risk, geopolitical risk, and currency risk.

Investing in global and municipal fixed income securities have risks that include but are not limited to risk of loss, interest rate risk, inflation risk, default risk, and credit risk.

Investing in diversified alternative strategies (which broadly include but are not limited to certain mutual funds, hedge funds, hedge fund of funds, long/short equity funds, global macro funds, Commodity Trading Advisors, etc.) have risks that include but are not limited to risk of loss, liquidity risk, redemption risk, margin, credit risk, interest rate risk, equity risk, and short selling. Please refer to the prospectus, offering memoranda, and/or related disclosure documents for fund specific risks.

Investing in international securities has risks that include but are not limited to currency risk, geopolitical risk, and tax implications.

*Risks with investing in Independent Managers*

Aurum typically recommends clients engage Independent Managers (through mutual funds, separately managed accounts, or private placement securities) for the discretionary management of a portion of their assets based upon the stated investment objectives of the client. Aurum may also recommend that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment manager(s) either directly or through a wrap fee program, based upon the stated investment objectives of the client. The terms and conditions under which the client shall engage the Independent Manager(s) shall be set forth in separate written agreements between (1) the client and Aurum and (2) the client and the designated Independent Manager(s) and/or wrap fee program sponsor. Aurum shall continue to render advisory services to the client relative to the ongoing monitoring and review of account performance, for which Aurum shall receive an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated Independent Manager(s). Factors that Aurum may consider in recommending Independent Manager(s) include the client's stated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. When recommending or selecting an Independent Manager for a client, Aurum shall review information about the Independent Manager(s) such as its disclosure statement and/or material supplied by the Independent Manager(s) or independent third parties for a description of the Independent Manager's investment strategies, past performance and risk results to the extent available. Since a portion of the analysis relies on historical return and risk analysis, there is risk that past performance is not indicative of future results. Please see the prospectus, offering memoranda, and/or other disclosure documents for other disclosures of the risks involved in a specific Independent Manager.

The investment management fees charged by the designated Independent Manager(s), together with the fees charged by the wrap fee program sponsor and corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, Aurum's investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by Aurum, the designated Independent Manager(s), wrap fee program sponsor (if applicable), and corresponding broker-dealer and custodian.

Aurum may recommend that clients that are "accredited investors" (as defined under Rule 501 of the Securities Act of 1933, as amended) or that are "qualified purchasers" (as defined under the Investment Company Act of 1940) invest in private placement securities, which may include debt, equity, and/or pooled investment vehicles when consistent with the client's investment objectives. When Aurum recommends that the client invest in private placement securities, Aurum shall receive no additional compensation but shall continue to receive applicable investment advisory fees on the client's assets under management. Private placement securities involve certain risks which include but are not limited to liquidity risk, redemption risk, margin risk, country risk, currency risk, and short selling. Redemption risk means that an investor may be limited from receiving a portion or all of his/her investment following a redemption request due to a gate, illiquidity of underlying securities, and/or other factors. Please see offering memoranda or other documents for other disclosures of the risks involved in a specific private placement offering.

At times clients may seek advice related to individual equity, fixed income, or option securities. In these cases, Aurum may utilize various third-party research sources to formulate advice. The buying or selling of options involve the risk of losing principal in a short period of time. The use of option writing poses additional risks discussed in detail with any clients who consider the use of options.

All investing involves a risk of loss. There are no assurances that a client will achieve his/her objectives.

## **Disciplinary Information**

Aurum and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

## **Other Financial Industry Activities and Affiliations**

Aurum does not render accounting advice or tax preparation services to its clients. Rather, to the extent that a client requires accounting advice and/or tax preparation services, Aurum, if requested, may recommend the services of a Certified Public Accountant, all of which services shall be rendered independent of Aurum pursuant to a separate agreement between the client and the Certified Public Accountant. Aurum shall not receive any of the fees charged by any recommended Certified Public Accountant, referral or otherwise.

Specifically, certain of the *Advisory Affiliates* of Aurum, are also Principals of Skoda, Minotti & Co. ("*Skoda Minotti*"), a Certified Public Accounting firm. The primary business of Gregory Skoda, Executive Director of Aurum, is in his capacity as Principal of *Skoda Minotti*. As discussed above, to the extent that *Skoda Minotti* provides accounting and/or tax preparation services to any of Aurum's clients, all such services shall be performed by *Skoda Minotti*, in its

separate capacity, independent of Aurum, for which services Aurum shall not receive any portion of the fees charged by *Skoda Minotti*, referral or otherwise. Although Aurum shall not receive referral fees from *Skoda Minotti*, the individual Principals of *Skoda Minotti* shall be entitled to receive distributions relative to their respective ownership interests in *Skoda Minotti*.

It is also expected that these *Advisory Affiliates* of Aurum, solely incidental to their respective practices as Certified Public Accountants with *Skoda Minotti*, shall recommend Aurum's services to certain of *Skoda Minotti*'s clients. Although *Skoda Minotti* shall not receive referral fees from Aurum, these *Advisory Affiliates* of Aurum shall be entitled to receive distributions relative to their respective ownership interests in Aurum.

Aurum's *Advisory Affiliates*, Mr. Robert Ranallo and Mr. Terry Silver, are both licensed practicing attorneys with the law firm, Ranallo & Aveni, LLC, Attorneys and Counselors of Law. This legal practice is wholly separate and distinct from Aurum's investment advisory services. No portion of any services rendered by Aurum shall be interpreted as legal advice. Rather, clients should defer to the advice of their own attorneys.

Aurum is under common control with SM Registered Products LLC, a licensed insurance agency. Certain of Aurum's *Advisory Affiliates*, in their individual capacities, are also licensed insurance agents, and in such capacity, may recommend, on a fully-disclosed commission basis, the purchase of certain insurance products. While Aurum does not sell such insurance products to its investment advisory clients, Aurum does permit its *Advisory Affiliates*, in their individual capacities as licensed insurance agents, to sell insurance products to its investment advisory clients. A conflict of interest exists to the extent that Aurum recommends the purchase of insurance products where Aurum's *Advisory Affiliates* receive insurance commissions or other additional compensation.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Aurum adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). In accordance with Section 204A of the Advisers Act, its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by Aurum or any of its associated persons. The *Code of Ethics* also requires that certain of Aurum's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings. Clients may contact Aurum to request a copy of its *Code of Ethics*.

Unless specifically permitted in Aurum's *Code of Ethics*, none of Aurum's *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of Aurum's clients. Aurum and persons associated with Aurum ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with Aurum's policies and procedures.



When Aurum is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when Aurum is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Under certain circumstances an *Access Person* might invest in a security that is not considered suitable for client accounts because of size, liquidity, or other factors. A change in these factors could result in the security becoming more suitable for clients, but the Chief Compliance Officer might not allow the security to be purchased for client accounts in order to avoid even the appearance of employees trading ahead of clients. In Aurum's experience, it is rare for an employee's personal trading to limit clients' investment opportunities, but such a situation may arise from time to time.

## **Brokerage Practices**

Aurum generally recommends that clients arrange for their assets to be held with Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, member SIPC. Aurum has managed client assets held at Schwab for many years and found Schwab to offer good services at competitive prices. While we generally recommend that clients use Schwab as custodian/broker, clients decide whether to do so and open an account with Schwab by entering into an account agreement directly with them. We do not open the account for clients, although we may assist clients in the process.

### *How Aurum Selects Brokers/Custodians*

Aurum seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. Aurum considers a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to Aurum and clients

### *Products and Services Available to Aurum From Schwab*

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's business serving independent investment advisory firms like Aurum. They provide Aurum and its clients with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help Aurum manage or administer clients' accounts.

### *Services That Benefit Clients*

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which Aurum might not otherwise have access or that would require a significantly higher minimum initial investment by clients. Schwab's services described in this paragraph generally benefit clients and clients' account.

### *Services That May Not Directly Benefit Clients*

Schwab also makes available to Aurum other products and services that benefit Aurum but may not directly benefit clients. These products and services assist Aurum in managing and administering clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provides access to client account data (such as duplicate trade confirmations and account statements)
- Facilitates trade execution and allocates aggregated trade orders for multiple client accounts
- Provides pricing and other market data
- Facilitates payment of Aurum fees from clients' accounts
- Assists with back-office functions, recordkeeping, and client reporting

### *Services That Generally Benefit Only Aurum*

Schwab also offers other services intended to help Aurum manage and further develop the business. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide Aurum with other benefits, such as occasional business entertainment of our personnel.

Aurum does not believe that clients whose accounts are held by Schwab bear any additional costs in connection with Aurum's receipt of the products and services. Furthermore, Schwab's provision of these products and services is not contingent upon Aurum formally committing any specific amount of business to Schwab. However, Aurum would not receive these products and services if client accounts were not held in custody and traded by Schwab. Aurum's receipt of

these products and services creates a conflict of interest in connection with Aurum's recommendation of Schwab. Also, some of the products and services listed above benefit clients whose accounts are held by other custodians, which could create a conflict of interest between the clients at Schwab, who are indirectly paying for the products and services, and the clients at other custodians who may benefit from the products and services.

#### The Selection of Trading Counterparties

Aurum can typically trade accounts held at Schwab using other broker/dealers. However, Schwab charges clients trade-away fees that Aurum believes outweigh any benefits from trading stocks, mutual funds, or ETFs with other brokers. The availability and pricing of bonds varies more widely, so prior to placing a bond trade Aurum solicits bids from several dealers and then executes the trade with the dealer that offers sufficient liquidity and the most favorable pricing.

If the client requests Aurum to arrange for the execution of securities brokerage transactions for the client's account, Aurum shall direct such transactions through broker-dealers that Aurum reasonably believes will provide best execution.

The client may direct Aurum in writing to use a particular broker-dealer to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that broker-dealer, and Aurum will not seek better execution services or prices from other broker-dealers or be able to "batch" client transactions for execution through other broker-dealers with orders for other accounts managed by Aurum (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Aurum may decline a client's request to direct brokerage if, in Aurum's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers (as further discussed below).

#### Best Execution Reviews

On at least an annual basis, Aurum's Chief Compliance Officer and the Managing Directors evaluate the pricing and services offered by Schwab and other trading counterparties with those offered by other reputable firms. Aurum has sought to make a good-faith determination that Schwab and other chosen trading counterparties provide clients with good services at competitive prices. However, clients should be aware that this determination could have been influenced by Aurum's receipt of products and services from Schwab. Historically Aurum has concluded that Schwab is as good as, or better than, the other firms that have been considered. Aurum would notify its clients if it were to determine that another firm offered better pricing and services than Schwab.

#### Aggregated Trades

Transactions for each client generally will be effected independently, unless Aurum decides to purchase or sell the same securities for several clients at approximately the same time. Aurum may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Aurum's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to

price and allocated among Aurum's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Aurum determines to aggregate client orders for the purchase or sale of securities, including securities in which Aurum's *Advisory Affiliate(s)* may invest, Aurum shall generally do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Aurum shall not receive any additional compensation or remuneration as a result of the aggregation. In the event that Aurum determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, Aurum may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

## **Review of Accounts**

Accounts under Aurum's management are monitored on an ongoing basis by an investment adviser representative. The investment adviser representatives review each account in detail on at least a quarterly basis. On a periodic basis, the Managing Directors and the Chief Compliance Officer review a number of reports that designed to identify accounts that are outside the expected ranges for return and exposure to asset classes. Reviews of client accounts will also be triggered if a client changes his or her investment objectives, or if the market, political, or economic environment changes materially. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Aurum and to keep Aurum informed of any changes thereto. Aurum shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Clients receive account statements directly from their chosen custodian on at least a quarterly basis. Aurum may supplement these custodial statements with performance reports provided during client meetings or as requested.

## **Client Referrals and Other Compensation**

If a client is introduced to Aurum by either an unaffiliated or an affiliated solicitor, Aurum 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 Aurum's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to Aurum by an unaffiliated solicitor, the solicitor

shall provide the client with a copy of Aurum's written disclosure statement 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. Any affiliated solicitor of Aurum shall disclose the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of Aurum's written disclosure statement at the time of the solicitation.

Other than the previously described products and services that Aurum receives from Schwab, Aurum periodically receives travel and accommodation cost reimbursement to conferences sponsored by Independent Managers. This presents a conflict of interest in recommending these managers products, but Aurum attempts to lessen this by maintaining strong quantitative and qualitative due diligence principles and assuring benefits are not lavish or excessive.

## **Custody**

All clients' accounts are held in custody by unaffiliated broker/dealers or banks, but Aurum can access many clients' accounts through its ability to debit advisory fees. For this reason Aurum is considered to have custody of client assets. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by Aurum.

## **Investment Discretion**

Aurum has investment discretion over most clients' accounts, while some clients prefer Aurum have non-discretionary authority. Clients grant Aurum trading discretion through the execution of a limited power of attorney included in Aurum's Investment Management Agreement.

Clients can place reasonable restrictions on Aurum's investment discretion. For example, some clients have asked Aurum not to buy securities issued by companies in certain industries, or not to sell certain securities where the client has a particularly low tax basis.

## **Voting Client Securities**

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Investment Advisers Act, Aurum has adopted and implemented written policies and procedures governing the voting of client securities. All proxies that Aurum receives will be treated in accordance with these policies and procedures. It is Aurum's policy not to accept voting authority over any client's proxies.

## **Financial Information**

Aurum has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.