

## **AURORA PRIVATE WEALTH, INC.**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Aurora Private Wealth, Inc. (hereinafter “Aurora Private Wealth” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed above. 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 the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

**Item 2. Material Changes**

In this Item, Aurora Private Wealth is required to discuss any material changes that have been made to the brochure since the last Firm's last annual updating amendment. Item 4 has been amended to reflect changes to the firm's service offerings including the deletion of the Firm's active management services and the addition of references to the Firm's use of the Folio Dynamics Managed Account platform. Item 5 has been amended to reflect amendments to the Firm's fee arrangements. Item 10 has been amended to reflect the addition of language discussing existing and additional financial industry affiliations of the Firm. Item 12 has been amended to delete references to soft dollar arrangements and to amend language relating to economic benefits received by the Firm from Charles Schwab & Co.

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## Item 4. Advisory Business

Aurora Private Wealth is an SEC-registered investment adviser formed in 2015 with its principal place of business located in Parsippany, New Jersey. Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of the Firm).

- Timothy Liam Smith, President
- Tara H. Smith, Shareholder

As of September 30, 2017, the Firm had \$221,324,750 in assets under management, \$206,778,535 of which was managed on a discretionary basis and \$14,546,215 of which was managed on a non-discretionary basis. Aurora Private Wealth offers a variety of advisory services, which include financial planning, consulting, and investment management services. Prior to Aurora Private Wealth rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with Aurora Private Wealth setting forth the relevant terms and conditions of the advisory relationship (the "Advisory Agreement").

While this brochure generally describes the business of Aurora Private Wealth, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm's officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on Aurora Private Wealth's behalf and is subject to the Firm's supervision or control.

### Financial Planning and Consulting Services

Aurora Private Wealth offers clients a broad range of financial planning and consulting services, which include any or all of the following functions:

- |                             |                         |
|-----------------------------|-------------------------|
| • Business Planning         | • Retirement Planning   |
| • Cash Flow Forecasting     | • Risk Management       |
| • Trust and Estate Planning | • Charitable Giving     |
| • Financial Reporting       | • Distribution Planning |
| • Investment Consulting     | • Tax Planning          |
| • Insurance Planning        | • Manager Due Diligence |

In performing these services, Aurora Private Wealth is not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. Aurora Private Wealth may recommend certain clients engage the Firm for additional related services, its Supervised Persons in their individual capacities as insurance

agents or registered representatives of a broker-dealer and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists when the Firm recommends that clients engage Aurora Private Wealth or its affiliates to provide (or continue to provide) additional services for compensation, including investment management services. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by Aurora Private Wealth under a financial planning or consulting engagement. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Aurora Private Wealth's recommendations and/or services.

### **Investment and Wealth Management Services**

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Aurora Private Wealth manages client investment portfolios on a discretionary or non-discretionary basis. Aurora Private Wealth primarily allocates client assets among various mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities, commercial paper, certificates of deposit, options, warrants, other derivative securities, oil/gas and real estate partnerships, and independent investment managers ("Independent Managers") in accordance with their stated investment objectives.

Where appropriate, the Firm also provides advice about any type of legacy position or other investment held in client portfolios. Clients can engage Aurora Private Wealth to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, Aurora Private Wealth directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

Aurora Private Wealth tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. Aurora Private Wealth consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify Aurora Private Wealth if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients can impose reasonable restrictions or mandates on the management of their accounts if Aurora Private Wealth determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

Aurora Private Wealth's investment management services are provided principally through its investment adviser representatives. The Firm gives each investment adviser representative broad discretion in making investment decisions for and/or constructing portfolios that they believe are appropriate for their

clients. The Firm offers clients various investment programs, depending on their desired preferences. A brief description of each of these investment management programs is provided below.

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**Individual Portfolio Management Program**

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Through this program, the Firm provides continuous or less frequent asset management services based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, the client's investment adviser representative develops a client's personal investment policy and creates and manages a portfolio based on that policy. During the data-gathering process, the investment adviser representative determines the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, the investment adviser representative also reviews and discusses a client's prior investment history, as well as family composition and background. Account supervision is guided by the client's stated objectives (i.e. maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

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**Model Portfolio Management Program**

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Through this program, the Firm provides regular or less frequent portfolio management services to clients using model asset allocation portfolios designed by the Firm's investment adviser representatives. Each model portfolio is not designed to meet each client's individual needs, but rather, to meet a particular investment goal. The Firm uses two particular strategies to construct and make revisions to its model portfolios:

- Strategic Asset Allocation: portfolio assets are allocated among a broad universe of mutual funds/ETFs, asset classes and style categories; or
- Tactical Asset Allocation: portfolio assets are allocated among various mutual fund/ETF classes with an overlay of technical analysis, i.e. asset management charting software.

Through personal discussions with the client in which the client's goals and objectives are established, the Firm determines which model portfolio is suitable for the client's circumstances. Account supervision is guided by the client's stated objectives (i.e. maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

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**Independent Manager Selection Program**

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Aurora Private Wealth Through this program, the Firm provides clients an asset allocation strategy that is employed through the use of Independent Managers. The asset allocation strategy is developed through personal discussions in which goals and objectives based on the client's particular circumstances are established. This asset allocation strategy is drafted into the client's personal investment policy statement ("PIPS").

Based on the client's individual circumstances and needs (as exhibited in the client's PIPS. The client's investment adviser representative will then perform management searches of various unaffiliated Independent Managers to identify which Independent Manager's portfolio management style is appropriate for that client. Factors considered in making this determination include account size, risk tolerance, the opinion of each client and the investment philosophy of the selected Independent Manager.

Once the investment adviser representative determines the most suitable Independent Manager for the client, the investment adviser representative provides the selected Independent Manager(s) with the client's PIPS. The Independent Manager then creates and manages the client's portfolio based on the client's individual needs as exhibited in the PIPS. The investment adviser representative monitors the performance of the selected Independent Manager(s). If the investment adviser representative determines that a particular selected Independent Manager(s) is not providing sufficient management services to the client, or is not managing the client's portfolio in a manner consistent with the client's PIPS, the investment adviser representative may suggest that the client contract with a different Independent Manager. Under this scenario, the investment adviser representative assists the client in selecting a new Independent Manager.

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**Sponsor and Manager of Wrap Program**

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Aurora Private Wealth also provides investment management services as the sponsor and manager of the Aurora Private Wealth Select Wrap Fee Program (the "Wrap Program"), a wrap fee program (i.e., an arrangement where brokerage commissions and transaction costs are absorbed by the Firm). Accounts managed through the Wrap Program are done so in substantially the same manner as those managed under a non-wrap arrangement. Participants in the Wrap Program may pay a higher aggregate fee than if investment management and brokerage services are purchased separately. Additional information about the Wrap Program is available in Aurora Private Wealth's Wrap Brochure, which appears as Part 2A Appendix 1 of the Firm's Form ADV.

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**Retirement Plan Consulting Services**

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Aurora Private Wealth also provides various consulting services to qualified employee benefit plans and their fiduciaries. This suite of institutional services is designed to assist plan sponsors in managing and optimizing their retirement plans. Each engagement is individually negotiated and customized, and includes any or some or all of the following:

- Investment policy statement preparation
- Investment Selection
- Investment performance monitoring
- Participant education

As disclosed in the Advisory Agreement, certain of the foregoing services are provided by Aurora Private Wealth as a fiduciary under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). In accordance with ERISA Section 408(b)(2), each plan sponsor is provided with a written description of Aurora Private Wealth’s fiduciary status, the specific services to be rendered and all direct and indirect compensation the Firm reasonably expects under the engagement.

### **Other Consulting Services**

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The Firm also provides investment consulting services to individuals, trusts, estates and charitable organizations.

### **Use of Independent Managers**

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As mentioned above, Aurora Private Wealth selects certain Independent Managers to actively manage a portion of its clients’ assets. The specific terms and conditions under which a client engages an Independent Manager may be set forth in a separate written agreement with the designated Independent Manager. In addition to this brochure, clients may also receive the written disclosure documents of the respective Independent Managers engaged to manage their assets which they should read carefully. Aurora Private Wealth continues to provide services relative to the selection of the Independent Managers. On an ongoing basis, the Firm monitors the performance of those accounts being managed by Independent Managers. Aurora Private Wealth seeks to ensure the Independent Managers’ strategies and target allocations remain aligned with its clients’ investment objectives and overall best interests.

### **Folio Dynamics Managed Account Platform (“Folio Dynamics Platform”)**

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The Firm offers certain of its investment management services through a third-party managed account platform operated by Folio Dynamics. The platform allows investment advisers, such as the Firm, to manage client assets through managed accounts on the Folio Dynamics Platform. Client assets may be allocated to custom model portfolios constructed by the Firm or among various Independent Managers offering advisory services through the Folio Dynamics Platform.

## **Item 5. Fees and Compensation**

Aurora Private Wealth offers services on a fee basis, which includes fixed and/or hourly fees, as well as fees based upon assets under management or advisement. Additionally, certain of the Firm’s Supervised Persons, in their individual capacities, offer securities brokerage services and/or insurance products under a separate commission-based arrangement.



**Financial Planning and Consulting Fees**

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Aurora Private Wealth charges a fixed and/or hourly fee for providing financial planning and consulting services under a stand-alone engagement. These fees are negotiable, but range from \$500 to \$15,000 on a fixed fee basis and/or from \$50 to \$800 on an hourly basis, depending upon the scope and complexity of the services and the professional rendering the financial planning and/or the consulting services. The Firm may request a retainer upon completion of its initial fact-finding session with the client; however, advance payment will never exceed \$500 for work that will not be completed within six months. The balance is due upon completion of the plan. The client will typically be billed for financial planning and consulting services quarterly in arrears based on actual hours accrued. If the client engages the Firm for additional investment advisory services, Aurora Private Wealth may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

The terms and conditions of the financial planning and/or consulting engagement are set forth in the client's Advisory Agreement.

**Investment Management Fees**

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Aurora Private Wealth charges clients fees for investment management services typically based on the client's assets under management although the Firm may charge fixed or hourly fees where appropriate.

The Firm's fees for investment management services provided through its Individual Portfolio Management Program, the Model Portfolio Management Program, and the Independent Manager Selection Program are typically based on a percentage of assets under management, which generally ranges from 0.50% to 2.25% per annum depending, in part, on factors including the complexity of the client's circumstances or needs; assets to be placed under management; anticipated future additional assets; related accounts; portfolio style; account composition; and reports, among other factors. The Firm may group certain related client accounts for the purpose of determining the annualized fee. Discounts, not generally available to the Firm's advisory clients, may be offered to family members and friends of associated persons of the Firm.

The annual fee is prorated and charged quarterly in advance based upon the market value of the assets being managed by Aurora Private Wealth on the last day of the previous billing period. For the initial period of an engagement, the fee is calculated on a pro rata basis. For assets added after the commencement of a billing period, the fee for such billing period is prorated and billed in the following quarter. For assets withdrawn before the end of a billing period, the Firm charges half of its fee for such billing period plus a prorated amount based on the amount of time during the billing period that the assets were maintained in the account. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

The Firm may also charge an administrative servicing fee on new monies deposited by the client, due at the time of such deposit. This fee may be up to 1% and is negotiable.

Notwithstanding the foregoing, the Firm may charge fixed fees for model portfolio management services, as negotiated on a case- by-case basis. Overall factors to be considered will include the type and amount of assets to be managed and the complexity of the client's circumstances. These fixed fees typically range from \$1,000 to \$15,000 annually and are billed quarterly in advance.

The Firm's fees for assets managed through the Independent Manager Selection Program do not include advisory fees charged by Independent Managers selected to manage client assets as those fees are separate from and in addition to the Firm's investment management fees.

For clients whose assets are managed using the Folio Dynamics Platform, the Firm's investment management fee includes a platform fee equal to 0.17% of the client assets managed on the Folio Dynamics Platform, a portion of which is retained by Aurora Private Wealth. Aurora Private Wealth's retention of a portion of the platform fee results in a conflict of interest as it creates an incentive for the Firm to use the Folio Dynamics Platform to manage client assets.

Clients participating in the Wrap Program pay fees that differ from those described above. For a description of the fees associated with participation in the Wrap Program, please see the Firm's Wrap Brochure.

### **Retirement Plan Consulting Fees**

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Aurora Private Wealth offers retirement plan consulting services for fixed fees, hourly fees, and/or fees based upon assets under advisement. When the fee is based on assets under advisement, the annual fee ranges from 0.50% to 2.50% of plan assets depending on the services requested and the size of the plan. Fees will be charged quarterly in advance based upon the market value of the plan assets as of the last day of the previous billing period. Fees will not be adjusted based on additions and withdrawals during the calendar quarter. Alternatively, Aurora Private Wealth may charge a fixed and/or hourly fee for providing retirement planning consulting services. These fees are negotiable, but range from \$1,000 to \$15,000 on a fixed fee basis and/or from \$50 to \$800 on an hourly basis, depending upon the scope and complexity of the services and the professional rendering the financial planning and/or consulting services. The Firm may request a retainer upon completion of its initial fact-finding session with the client.

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**Other Consulting Fees**

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The Firm's fee arrangements for consulting services provided to individuals, trusts, estates and charitable organizations resemble those for retirement planning consulting services although each engagement is negotiated on a case-by-case basis.

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**Additional Fees and Expenses**

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In addition to the advisory fees paid to Aurora Private Wealth, clients also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "Financial Institutions"). These additional charges include securities brokerage commissions, transaction fees, custodial fees, reporting charges, fees charged by the Independent Managers, margin costs, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Firm's brokerage practices are described at length in Item 12, below.

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**Direct Fee Debit**

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Clients provide Aurora Private Wealth with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to Aurora Private Wealth.

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**Use of Margin**

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Aurora Private Wealth can be authorized to use margin on the client's behalf. The Firm's investment management fee will be assessed net of margin where margin is utilized for the client's investments managed by the Firm and gross of margin where margin is used by the client as a loan for other purposes. Clients are advised that this arrangement poses a conflict of interest in that there exists a financial incentive to recommend the use of margin where the Firm's fees are charged gross of margin.

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**Account Additions and Withdrawals**

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Clients can make additions to and withdrawals from their account at any time, subject to Aurora Private Wealth's right to terminate an account. Additions can be in cash or securities provided that the Firm

reserves the right to liquidate any transferred securities or declines to accept particular securities into a client's account. Clients can withdraw account assets on notice to Aurora Private Wealth, subject to the usual and customary securities settlement procedures. However, the Firm designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Aurora Private Wealth may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges) and/or tax ramifications.

### **Commissions and Sales Charges for Recommendations of Securities**

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Clients can engage certain persons associated with Aurora Private Wealth (but not the Firm directly) to render securities brokerage services under a separate commission-based arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with Aurora Private Wealth.

Under this arrangement, the Firm's Supervised Persons, in their individual capacities as registered representatives of Comprehensive Asset Management and Servicing, Inc. ("CAMS") may provide securities brokerage services and implement securities transactions under a separate commission based arrangement. Supervised Persons are entitled to a portion of the brokerage commissions paid to CAMS, as well as a share of any ongoing distribution or service (trail) fees from the sale of mutual funds. Aurora Private Wealth may also recommend no-load or load-waived funds, where no sales charges are assessed. Prior to effecting any transactions, clients are required to enter into a separate account agreement with CAMS. A conflict of interest exists to the extent that Aurora Private Wealth recommends the purchase or sale of securities where its Supervised Persons receive commissions or other additional compensation as a result of the Firm's recommendation. Aurora Private Wealth endeavors at all times to put the interest of its clients first as part of the Firm's fiduciary duty as a registered investment adviser. The Firm takes the following steps to address this conflict:

- The Firm discloses to clients the existence of all material conflicts of interest, including the potential for the Firm and its supervised persons to earn compensation from advisory clients in addition to the Firm's advisory fees;
- The Firm discloses to clients that they are not obligated to purchase recommended investment products from the Firm's supervised persons or affiliated companies;
- The Firm collects, maintains and documents accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- The Firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable for the client's needs and circumstances;

- The Firm requires that its supervised persons seek prior approval of any outside employment activity so that The Firm may ensure that any conflicts of interests in such activities are properly addressed;
- The Firm periodically monitors these outside employment activities to verify that any conflicts of interest continue to be properly addressed by the Firm; and
- The Firm educates its employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients. For certain accounts covered by ERISA and such others that Aurora Private Wealth, in its sole discretion, deems appropriate, Aurora Private Wealth provides its investment advisory services to certain clients on a fee-offset basis. In this scenario, Aurora Private Wealth offsets its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by the Firm's Supervised Persons in their individual capacities as registered representatives of CAMS.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

Aurora Private Wealth does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

## **Item 7. Types of Clients**

Aurora Private Wealth offers services to individuals (including high net worth individuals), trusts, estates, pension and profit sharing plans, charitable organizations, corporations or other businesses not listed above.

### **Minimum Account Requirements**

Aurora Private Wealth does not impose a stated minimum fee or minimum portfolio value for starting and maintaining an investment management relationship. Certain Independent Managers may, however, impose more restrictive account requirements and billing practices from the Firm. In these instances, Aurora Private Wealth may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Managers.

## Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

### Methods of Analysis

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The Firm uses the following methods of analysis in formulating its investment advice.

**Charting.** In this type of technical analysis, the Firm reviews charts of market and security activity in an attempt to identify when the market is moving up or down and to predict when how long the trend may last and when that trend might reverse.

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

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

**Technical Analysis.** The Firm analyzes past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

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

**Asset Allocation.** Rather than focusing primarily on securities selection, the Firm attempts to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

**Mutual Fund and/or ETF Analysis.** The Firm looks at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. The Firm also looks 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(s) in the client's portfolio.

The Firm also monitors the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy. A risk of mutual fund and/or ETF analysis 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 the Firm does not control the underlying investments in a fund or ETF, managers of different 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 holding(s) less suitable for the client's portfolio.

**Independent Manager Analysis.** The Firm examines the experience, expertise, investment philosophies, and past performance of Independent 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. The Firm monitors the Independent Manager's underlying holdings, strategies, concentrations and leverage as part of the Firm's overall periodic risk assessment. Additionally, as part of the Firm's due diligence process, the Firm surveys the Independent Manager's compliance and business enterprise risks.

A risk of investing with a Independent Manager who has been successful in the past is that it may not be able to replicate that success in the future.

In addition, as the Firm does not control the underlying investments in an Independent Manager's portfolio, there is also a risk that the Independent Manager' may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for the Firm's clients. Moreover, as the Firm does not control the Independent Manager's daily business and compliance operations, the Firm may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

**Risks for all forms of analysis.** The Firm's securities analysis methods rely on the assumption that the companies whose securities the Firm purchases and sells, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While the Firm is alert to indications that data may be incorrect, there is always a risk that the Firm's analysis may be compromised by inaccurate or misleading information.

### **Investment Strategies**

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The Firm uses the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

Long-term purchases. The Firm purchases securities with the idea of holding them in the client's account for a year or longer. Typically, the Firm employs this strategy when:

- it believes the securities to be currently undervalued, and/or
- it wants exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, The Firm may not take advantage of short-term gains that could be profitable to a client. Moreover, if the Firm's predictions are incorrect, a security may decline sharply in value before the Firm makes the decision to sell.

Short-term purchases. When utilizing this strategy, the Firm purchases securities with the idea of selling them within a relatively short time (typically a year or less). The Firm does this in an attempt to take advantage of conditions that it believes will soon result in a price swing in the securities it purchases.

Margin transactions. The Firm will purchase stocks for a client's portfolio with money borrowed from the client's brokerage account. This allows the client to purchase more stock than the client would be able to with available cash, and allows the Firm to purchase stock without selling other holdings.

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

Two principal types of options are calls and puts:

- A call gives the Firm the right to buy an asset at a certain price within a specific period of time. The Firm will buy a call if it has determined that the stock may increase substantially before the option expires.
- A put gives the holder the right to sell an asset at a certain price within a specific period of time. The Firm will buy a put if it has determined that the price of the stock may fall before the option expires.

The Firm may use options to speculate on the possibility of a sharp price swing. The Firm may also use options to "hedge" a purchase of the underlying security. In other words, The Firm may use an option purchase to limit the potential upside and downside of a security the Firm has purchased for a client's portfolio.



The Firm may use "covered calls", in which it sells an option on security a client owns. In this strategy, the client receives a fee for making the option available, and the person purchasing the option has the right to buy the security from the client at an agreed-upon price.

The Firm may use a "spreading strategy", in which it purchases two or more option contracts (for example, a call option that a client buys and a call option that the client sells) for the same underlying security. This effectively puts the client on both sides of the market, but with the ability to vary price, time and other factors.

### **Risk of Loss**

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Securities investments are not guaranteed and clients may lose money on their investments. The Firm asks clients to work with it to help it understand their tolerance for risk.

All investment programs have certain risks that are borne by the investor. Investors face the following investment risks:

#### *Market Risks*

The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

#### *Inflation Risk*

When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

#### *Currency Risk*

Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

#### *Reinvestment Risk*

This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.

*Business Risk*

These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

*Liquidity Risk*

Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

*Financial Risk*

Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Material risks associated with the methods of analysis and investment strategies used include actual company specific or market events that may contradict assumptions at the time a security was chosen, and/or a security's actual performance that may not follow trends previously identified in the analysis conducted. Any performance quoted represents past performance, is no guarantee of future results, and will not provide an adequate basis for evaluating the performance of the product over varying market conditions or economic cycles. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.

**Item 9. Disciplinary Information**

Aurora Private Wealth has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

**Item 10. Other Financial Industry Activities and Affiliations**

This item requires investment advisers to disclose certain financial industry activities and affiliations.

**Related Broker Dealer**

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CAMS is an SEC registered broker-dealer and member of FINRA and SIPC that is under common control with the Firm. As a result, a conflict of interest exists when the Firm selects CAMS over other broker-dealers to execute securities transactions on behalf of clients because Timothy Smith has an ownership interest in CAMS and receives a share of transaction costs, such as brokerage commissions and/or 12b-1 fees, when the Firm recommends CAMS to effect securities transactions on behalf of advisory clients. Separately, a conflict of interest exists when the Firm's Supervised Persons, in their individual capacities as registered representatives of CAMS, provide securities brokerage services and implement securities transactions under a separate commission based arrangement as they may be entitled to a portion of the brokerage commissions paid to CAMS, as well as a share of any ongoing distribution or service (trail) fees from the sale of mutual funds. Nonetheless, the Firm will endeavor to recommend the brokerage arrangement that satisfies its duty of best execution and is in the best interest of its clients. CAMS has also entered into a marketing support arrangement with a provider of structured note products whereby CAMS receives compensation for providing educational support and referrals with respect to such products. A conflict of interest exists because Aurora Private Wealth has an incentive to recommend such products to its advisory clients as a result of this marketing support arrangement entered into by its affiliate. Nonetheless, Aurora Private Wealth will only recommend such structured note products when it believes such products are in its clients' best interest. No investment adviser representative of Aurora Private Wealth other than Timothy Smith has a financial interest arising out of the marketing support arrangement described above.

**Related Investment Adviser**

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Aurora Private Wealth is under common control with its affiliated SEC registered investment adviser, Comprehensive Capital Management, Inc. ("CCM"). Certain Supervised Persons of Aurora Private Wealth also serve in the same or similar capacity for CCM.

**Licensed Insurance Agents**

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Certain of the Firm's Supervised Persons are licensed insurance agents and offer certain insurance products on a fully-disclosed commissionable basis. A conflict of interest exists to the extent that Aurora Private Wealth recommends the purchase of insurance products where its Supervised Persons are entitled to insurance commissions or other additional compensation. The Firm has procedures in place whereby it seeks to ensure that all recommendations are made in its clients' best interest regardless of any such affiliations.

## Item 11. Code of Ethics

The Firm has adopted a code of ethics in compliance with applicable securities laws (“Code of Ethics”) which sets forth high ethical standards of business conduct that it requires of its employees, including compliance with applicable federal securities laws.

The Firm and its personnel owe a duty of loyalty, fairness and good faith towards its clients, and has an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

The Firm’s Code of Ethics includes policies and procedures that address principles governing personal investment activities of supervised persons whereby the interests of client accounts will at all times be placed first. Among other things, the Firm’s Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering.

The Firm’s Code of Ethics also includes provisions addressing oversight, enforcement and recordkeeping. The Firm’s Code of Ethics also includes a policy prohibiting the use of material non-public information. While the Firm does not believe that it has any particular access to non-public information, all supervised persons are reminded that such information may not be used in a personal or professional capacity.

Clients and prospective clients may request a copy of the Firm’s Code of Ethics by contacting [tim@aurorapw.com](mailto:tim@aurorapw.com) or by calling us at 973-394-1069.

## Item 12. Brokerage Practices

### **Recommendation of Broker-Dealers for Client Transactions**

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Aurora Private Wealth recommends that clients utilize the brokerage services of CAMS or the custody, brokerage and clearing services of Charles Schwab & Co., Inc. through its Schwab Advisor Services division (“Schwab”) for investment management accounts. Factors which Aurora Private Wealth considers in recommending Schwab or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Schwab enables the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Schwab may be higher or lower than those charged by other Financial Institutions.

The commissions paid by Aurora Private Wealth’s clients to Schwab comply with the Firm’s duty to obtain “best execution.” Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where Aurora Private Wealth determines that the

commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness. Aurora Private Wealth seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Consistent with obtaining best execution, brokerage transactions are directed to certain broker-dealers in return for investment research products and/or services which assist Aurora Private Wealth in its investment decision-making process. Such research will be used to service all of the Firm's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Aurora Private Wealth does not have to produce or pay for the products or services.

Aurora Private Wealth periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

#### **Software and Support Provided by Financial Institutions**

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Aurora Private Wealth receives without cost from Schwab administrative support, computer software, related systems support, as well as other third-party support as further described below (together "Support") which allow Aurora Private Wealth to better monitor client accounts maintained at Schwab and otherwise conduct its business. Aurora Private Wealth receives the Support without cost because the Firm renders investment management services to clients that maintain assets at Schwab. The Support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The Support benefits Aurora Private Wealth, but not its clients directly. Clients should be aware that Aurora Private Wealth's receipt of economic benefits such as the Support from a broker-dealer creates a conflict of interest since these benefits may influence the Firm's choice of broker-dealer over another that does not furnish similar software, systems support or services, especially because the support is contingent upon clients placing a certain level(s) of assets at Schwab. In fulfilling its duties to its clients, Aurora Private Wealth endeavors at all times to put the interests of its clients first and has determined that the Firm's recommendations of broker-dealers are in the best interest of clients and satisfy the Firm's duty to seek best execution.

Specifically, Aurora Private Wealth receives the following benefits from Schwab: i) receipt of duplicate client confirmations and bundled duplicate statements; ii) access to a trading desk that exclusively services its institutional traders; iii) access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and iv) access to an electronic communication network for client order entry and account information.

In addition, the Firm receives funds to be used toward qualifying third-party service providers for research, marketing, compliance, technology and software platforms and services. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to the Firm other products and services that benefit the Firm but may not benefit its clients' accounts. These benefits include free attendance at national, regional or Firm specific educational events organized and/or sponsored by Schwab, including the annual IMPACT conference. Other potential benefits may include occasional business entertainment of personnel of Aurora Private Wealth by Schwab personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist Aurora Private Wealth in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of the Firm's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of the Firm's accounts, including accounts not maintained at Schwab. Schwab also makes available to Aurora Private Wealth other services intended to help the Firm manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to the Firm by independent third parties. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to the Firm. While, as a fiduciary, Aurora Private Wealth endeavors to act in its clients' best interests, the Firm's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefits received and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which creates a potential conflict of interest.

**Directed Brokerage**

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The Firm generally does not accept instructions from clients to use a particular Financial Institution to execute some or all transactions for the client. Nonetheless, when the Firm accepts such directed brokerage instructions, the client will negotiate terms and arrangements for the account with that Financial Institution and the Firm will not seek better execution services or prices from other Financial Institutions or be able to “batch” client transactions for execution through other Financial Institutions with orders for other accounts managed by Aurora Private Wealth (as described above). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Aurora Private Wealth may decline a client’s request to direct brokerage if, in the Firm’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).

**Commissions or Sales Charges for Recommendations of Securities**

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As discussed above, certain Supervised Persons in their respective individual capacities are registered representatives of CAMS. These Supervised Persons are subject to FINRA Rule 3040 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless CAMS provides written consent. Therefore, clients are advised that certain Supervised Persons are restricted to conducting securities transactions through CAMS if they have not secured written consent from CAMS to execute securities transactions through a different broker-dealer. Absent such written consent or separation from CAMS, these Supervised Persons are prohibited from executing securities transactions through any broker-dealer other than CAMS under its internal supervisory policies. The Firm is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

**Trade Aggregation**

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Transactions will aggregate trades where possible and when advantageous to clients, including in situations to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm’s clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Aurora Private Wealth will typically aggregate trades among clients whose accounts can be traded at a given broker. Aurora Private Wealth’s block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client’s Advisory Agreement with Aurora Private Wealth, or the Firm’s order allocation policy.

2) The trader in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the

client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.

3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable Aurora Private Wealth to seek best execution

for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in light of 20/20 hindsight.

Best execution includes the duty to seek the best quality of execution, as well as the best net price.

4) Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon

completion, to those clients.

5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However,

adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.

6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.

7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.

8) Aurora Private Wealth's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.



9) Funds and securities for aggregated orders are clearly identified on Aurora Private Wealth's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.

10) No client or account will be systematically disfavored.

## **Item 13. Review of Accounts**

### **Account Reviews**

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For clients participating in the Independent Portfolio Management Program or the Model Portfolio Management Program, Aurora Private Wealth monitors client portfolios on a continuous and ongoing basis while regular account reviews are conducted at least quarterly or annually, depending on the type of engagement. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment. Such reviews are conducted by the client's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with Aurora Private Wealth and to keep the Firm informed of any changes thereto.

For clients that participate in the Independent Manager Selection Program, accounts are reviewed by the client's investment adviser representative at least quarterly or as otherwise agreed upon in the client's Advisory Agreement.

For clients that receive retirement plan consulting services, The Firm will review the client's IPS whenever the client advises the Firm of a change in circumstances regarding the needs of the plan. Aurora Private Wealth will also review the investment options of the plan according to the agreed upon time intervals established in the IPS. Such reviews will generally occur quarterly and are conducted by the client's investment adviser representative.

### **Account Statements and Reports**

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. Additionally, with certain exceptions, the Firm provides online access to quarterly reports summarizing account performance, balances and holdings, except in cases where the securities used do not provide the Firm with electronic information access. The Firm provides reports to clients receiving retirement planning consulting services based on terms contained in their Advisory Agreements. Whenever clients receive reports or account statements from the Firm, they should compare the account statements they receive from their

custodian with any documents or reports they receive from Aurora Private Wealth or an outside service provider.

## **Item 14. Client Referrals and Other Compensation**

### **Client Referrals**

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In the event a client is introduced to Aurora Private Wealth by either an unaffiliated or an affiliated solicitor, the Firm may pay that solicitor a referral fee in accordance with applicable state securities laws. Unless otherwise disclosed, any such referral fee is paid solely from Aurora Private Wealth's investment management fee and does not result in any additional charge to the client. If the client is introduced to the Firm by an unaffiliated solicitor, the solicitor is required to provide the client with Aurora Private Wealth's written brochure(s) and a copy of a solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement. Any affiliated solicitor of Aurora Private Wealth is required to disclose the nature of his or her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of the Firm's written brochure(s) at the time of the solicitation.

### **Other Economic Benefits**

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As indicated in item 12, Aurora Private Wealth receives economic benefits from Schwab.

## **Item 15. Custody**

The Advisory Agreement and/or the separate agreement with any Financial Institution authorizes Aurora Private Wealth to debit client accounts for payment of the Firm's fees and to directly remit that those funds to the Firm in accordance with applicable custody rules. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to Aurora Private Wealth. Where appropriate, Aurora Private Wealth also sends to clients a written invoice itemizing the fee.

In addition, as discussed in Item 13, Aurora Private Wealth will also send, or otherwise make available, periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from Aurora Private Wealth.

## Item 16. Investment Discretion

Aurora Private Wealth In many circumstances, Aurora Private Wealth is given the authority to exercise discretion on behalf of clients. Aurora Private Wealth is considered to exercise investment discretion over a client's account if it can effect and/or direct transactions in client accounts without first seeking their consent. Aurora Private Wealth is given this authority through a limited power-of-attorney included in the agreement between Aurora Private Wealth and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Aurora Private Wealth takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made;
- The Independent Managers to be hired or fired.

## Item 17. Voting Client Securities

### Declination of Proxy Voting Authority

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Aurora Private Wealth does not accept the authority to vote a client's securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied and may contact the Firm at the contact information on the cover of this brochure with questions about any such issuer solicitations.

## Item 18. Financial Information

Aurora Private Wealth is not required to disclose any financial information due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.

