



## **Aureus Asset Management, LLC**

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### **Form ADV Part 2A Brochure**

March 30, 2020

This brochure provides information about the qualifications and business practices of Aureus Asset Management, LLC (hereinafter "Aureus"), an investment adviser registered with the Securities and Exchange Commission. Please contact Michael Kellogg, Chief Compliance Officer of Aureus, at [mkellogg@aureus-asset.com](mailto:mkellogg@aureus-asset.com) if you have any questions about the contents of this brochure.

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 Aureus is available on the Internet at: [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov)

You can search this site by a unique identifying number, known as a CRD number. The CRD number for Aureus is: 136674.

Aureus Asset Management is a registered investment adviser, registered with the Securities and Exchange Commission. Although we are a registered investment adviser, there is no specific training required nor are there tests or proof of skill needed in order to become a registered investment adviser.

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**Item 2 - Material Changes:**

There are no material changes to report.

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#### **Item 4: Advisory Business**

4.A Aureus Asset Management, LLC is an independent investment firm founded in 2005 to address the key financial challenges facing individuals, families and organizations today. By successfully adapting the investment sophistication of leading endowments and institutions to meet the individualized goals and objectives of our clients, we have created a unique contemporary wealth management model.

Aureus Asset Management operates as a partnership with six employees having a membership interest as of December 31, 2019. Karen Firestone owns more than 25% of the partnership.

4.B Aureus employs a Contemporary Wealth Management approach to investing which:

- Maintains traditional investment tenets such as prudent diversification, fundamental research and risk management.
- Applies a global investing philosophy, incorporating a comprehensive view of geographies and asset classes.
- Combines traditional asset classes (equities and fixed income) and alternative asset classes in building client specific investment portfolios.
- Manages portfolios with a total return approach, tailored for specific client requirements.
- Provides the benefit of both internal (Aureus) management and external management (unaffiliated managers) for client investment portfolios.

4.C Aureus creates a portfolio designed to meet the individual needs of each client. Aureus allocates a client's portfolio among various asset classes and investment strategies taking into consideration the specific objectives of the client. Portfolios consist of one or more of the following: individual equities, individual bonds, mutual funds, ETFs, non-traditional assets and other investment vehicles including private partnerships. At Aureus' discretion and consistent with the clients investment objectives, assets may be internally managed by Aureus and complimented by an allocation to external, unaffiliated managers for specific asset classes. An allocation to these external, unaffiliated managers may be obtained through an investment in an Aureus affiliated fund, provided such investments are consistent with the investment guidelines (the "Investment Guidelines") set forth in the investment management agreement entered into by the client and Aureus (the "Management Agreement"). An investment in any external manager or affiliated fund does not increase the fees payable by a client to Aureus. As described in the Management Agreement, clients have the opportunity to place reasonable restrictions on the types of investments that will be made on the client's behalf.

#### ***Affiliated Funds and External Managers.***

Aureus is the managing member of Aureus Fund Series LLC and Aureus Fund II, LLC (the "Funds") which are investment-related limited liability companies. The Funds are focused on a long-term investment horizon and will seek out investment opportunities available through external, unaffiliated funds and/or other investment alternatives managed by independent investment managers.

Aureus provides its investment management services to the Funds on a discretionary basis in accordance with the terms and conditions of the Management Agreement and the Fund's subscription agreement. Aureus manages Fund assets solely through its selection of unaffiliated investment managers, including private fund managers and other money managers. Aureus will determine the initial asset allocation to each investment manager and any subsequent changes in

asset allocation. Investors should review the disclosure documents and subscription agreement provided by the Funds for information about the investment strategies employed by Aureus and/or the independent investment managers as certain strategies may entail substantial risk. An investment in the Funds should only be made by investors who understand the nature of the investment, do not require liquidity in the investment and can bear the economic risk of loss of their investment.

For certain clients, Aureus will make direct investments in external, unaffiliated funds which are appropriate for the clients investment objectives.

***Sub-Advisors.***

Aureus may, from time to time, appoint one or more unaffiliated sub-advisors to manage client assets that may be invested in any or all such securities as previously noted. Aureus monitors all such client accounts on an on-going basis, and may rebalance and reallocate assets as necessary. Aureus also monitors the performance of any sub-advisor. Aureus maintains the discretionary authority to hire and/or replace any sub-advisor as part of Aureus' engagement to manage the client's portfolio(s) consistent with the client's objectives.

When appropriate to the needs of the client, Aureus may directly utilize or select sub-advisors that utilize strategies including trading (securities sold within 30 days), short sales, margin transactions or option writing. Because these investment strategies involve certain additional degrees of risk, they will only be utilized when consistent with the client's stated tolerance for risk.

4.D Aureus does not participate in any wrap fee programs.

4.E As of December 31, 2019, Aureus has total assets under advisement of \$3.8 billion. Of this amount we have discretion over \$1.2 billion in assets on which our fee schedule shown in item 5, applies. We have \$2.6 billion in assets, on which we advise our clients but do not have full discretion.

**Item 5: Fees and Compensation**

5.A Fees are calculated as a percentage of assets under management, based on the market value of a client's portfolio at the end of each quarter. In general, fees are payable quarterly in arrears and prorated, for accounts coming or going, based on the date that assets are transferred.

The annual fee for both managed and monitored assets shall be paid by the client as compensation for the investment management services to be provided hereunder and will be charged as a percentage of client's assets according to the following guidelines:

Portfolios managed by Aureus and utilizing third party money managers (e.g., internal and external portfolio management):

<u>Assets under management</u>	<u>Annual Fee %</u>
Up to \$10 million	1.00%
Next \$15 million	0.80%
Over \$25 million	0.60%

Portfolios where Aureus monitors or advises clients on a non-discretionary basis. These portfolios are not managed using Aureus internal or external portfolio management.

<u>Assets monitored/advised</u>	<u>Annual Fee %</u>
All Assets	0.20%

***Negotiability of Advisory Fees and Minimum Requirements***

Aureus generally requires a minimum client relationship of \$5,000,000 for Investment Management Services clients. In certain cases, Aureus may accept accounts under this amount in its sole discretion based upon the client's individual circumstances.

Aureus, in its sole discretion, may waive the minimum asset level required for a relationship and/or negotiate a lesser management fee based upon certain criteria. Such criteria may include related accounts, account composition, dollar amount of assets to be managed, anticipated future additional assets, pro-bono activities and other criteria specific to the client relationship.

Aureus may provide Investment Management Services to employees and their immediate family members ("Related Persons") for a lesser fee than charged to other advisory clients. These Related Persons may also be exempted from Aureus' minimum account size requirements.

5.B Fees are generally deducted from clients' accounts but occasionally invoiced separately.

Fee Calculation: The fee charged is calculated as described above and is not charged on the basis of a share of capital gains upon or capital appreciation of the Fund or any portion of the funds of an advisory client.

The client acknowledges that he or she will be charged fees in arrears at the end of each calendar quarter based upon the value (market value or fair market value in the absence of market value, plus any credit balance or minus any debit balance), of the client's account at the quarter's end and authorizes Aureus to invoice the client's custodian directly. Clients shall be responsible for verifying the accuracy of the fee calculation and agree to instruct the custodians to pay such fees as directed by Aureus.

100% of our revenue is generated from asset management fees. We do not receive any revenue through subsidiary, affiliate, sub-advisory, private funds or unaffiliated external manager relationships.

In addition to Aureus' fees, external investment managers selected by Aureus generally charge underlying fees, resulting in investors paying multiple fees on their managed assets. For clients investing in private funds either through Aureus Series Fund LLC, Aureus Fund II, LLC or investing directly, these fees generally include a management fee in the range of 1-2% and a performance fee, based upon the previous high water mark, in the range of 15-20% in addition to the management fee. Clients should carefully review all of our offering and disclosure documents to more fully understand the costs assessed on their managed assets.

5.C If Fidelity Family Office is used for custody, there is no additional charge for custody. If accounts use another bank or brokerage firm for custody, then the custody arrangement is between the client and the custodian. If accounts hold shares in mutual funds, exchange traded funds, partnership interests or other outside managers, the fees charged by those managers are in addition to the fee

charged by Aureus. In addition, the client will pay the brokerage fees associated with transactions in their accounts.

5.D Clients do not and may not pay any fees in advance.

5.E Neither Aureus nor any of its supervised persons receives compensation or commissions for the sale of securities, mutual funds or other investment products.

### **Item 6: Performance-Based Fees**

Aureus does not currently charge a performance-based fee, but it may choose to do so in the future. In the event such a performance fee is to be charged in the future, it will be implemented in accordance with Section 205 of the Act.

### **Item 7: Types of Clients**

Aureus provides investment management services to high net worth individuals, individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations or other business entities, and privately-offered investment companies.

#### ***Other Business Activities***

In addition to being a SEC-registered investment adviser, Aureus also serves as the managing member of Aureus Fund Series LLC and Aureus Fund II, LLC (the "Funds"). The Funds are a "fund-of-funds" and exempt from registration as an investment company under the Investment Company Act of 1940 (the "Company Act") pursuant to the provisions of Section 3(c)(7) for Aureus Fund Series LLC and Section 3(c)(1) for Aureus Fund II, LLC.

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

#### **8.A *Internal Management***

Our internal equity investment approach is a deliberate departure from much of the mainstream Wall Street convention. All security selection at Aureus is the result of our own primary research. We generate ideas through multiple avenues - our extensive experience and knowledge of companies, proprietary screens of quantitative and qualitative characteristics, and discussions with industry participants. Our fundamental research process involves interviews and meetings with management, conversations with academics and thought leaders in many fields, and modeling of each company over the next several years. We believe in a relatively concentrated portfolio of 30-40 names, across a variety of industry sectors, countries, and market capitalization. These elements combine to build a "best ideas" separately-managed portfolio for each of our clients.

When we initiate a position in a stock or fund, we have an estimation of its intrinsic value and expected returns from current levels. This is based on our internally-driven research efforts and comprehensive projections of each company's growth rates (sales, earnings and cash flow) and returns. At least quarterly, we update our models and incorporate our latest analysis of the stock's prospects over the next few years. As a stock's price approaches, or sometimes exceeds our intrinsic value calculation, we reexamine all the assumptions inherent in that target; if our expectations for future growth are greater, the model will revise upward, resulting in a higher target price, but if the price cannot be justified, we sell the position.

### ***External Management***

Aureus may allocate assets to unaffiliated external managers or investment funds when appropriate for the client's investment objectives. Each manager is selected to fill a specific allocation which generally targets a specific geography, sector or investment strategy. In selecting these managers Aureus applies a disciplined, research driven approach. The due diligence process for these managers includes review of the investment strategy, organization and team composition, research process, decision making process, transparency of information, risk management (fees, liquidity, assets under management, fund size, portfolio exposures, fund operations), fund structure, external service providers and tax efficiency.

Both Aureus internal management and external managers invest in securities and involves the risk of loss to the client.

- 8.B Our internal equity team continually monitors risk for the portfolios we actively manage at various levels. First, the selection process for each individual stock in our portfolios requires in-depth assessment of the fundamental and valuation risks inherent in each company. Our analytical process demands that we fully understand the business risks a company might face. Equally important is the assessment of the valuation risk (expensive or not) imbedded in each stock we own on behalf of our clients. We believe the combination of these analytical frameworks provides significant risk control at the individual security level.

A further assessment of risk for actively managed equities takes place at the portfolio level where our reporting system aggregates risk metrics across an entire portfolio. We are continually aware of factors including sector diversification, relative position sizes, beta, tracking error and expected volatility on a consolidated basis.

External managers are monitored individually and as part of a combined fund allowing Aureus to fully understand where exposures and risks lie with these investments. At the individual manager level, we analyze returns and continually look at changes to holdings, portfolio risk, leverage, personnel and operations that might warrant further questioning. Because we only invest in managers with a specific asset class focus and defined investment strategy, we can more easily identify meaningful changes. At the fund level, we aggregate managers to assess the overall portfolio risk and correlations under different market environments.

- 8.C On a combined basis, we continuously review our overall exposure to asset and sub-asset classes, industries, sectors and geographies. This type of information is critical during periods of market unrest.

### **Item 9: Disciplinary Information**

9. No members or staff of Aureus Asset Management has been the subject of any complaints or been involved in any legal or disciplinary events.

### **Item 10: Other Financial Industry Activities and Affiliations**

- 10.A No member of Aureus is a registered broker-dealer nor a representative of one.
- 10.B Not applicable.



10.C Not applicable.

10.D Aureus does not receive compensation for referring our clients to other investment advisers. No members of Aureus receive compensation for referring clients to other investment advisers.

As disclosed, Aureus provides advice to the Fund, which in turn will invest in other pooled investment vehicles. Aureus will also utilize unaffiliated investment managers for management of clients' assets. Aureus will analyze the selected investment manager's performance regarding a client's portfolio to determine if it is consistent with the client's Investment Guidelines as set forth in the Management Agreement.

Clients should refer to the Fund's offering documents for general information regarding the methods of analysis, sources of information and investment strategies used by the independent investment adviser in servicing client accounts. More specific information concerning the underlying managers can be obtained upon request.

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

11.A Aureus has adopted a Code of Ethics that sets forth high ethical standards of business conduct that Aureus requires of its access persons, including compliance with applicable federal securities laws. Our Code of Ethics also includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by Aureus' access persons. Among other things, Aureus' Code of Ethics also requires the prior approval of any acquisition of any securities other than investments in open-end mutual funds, certificates of deposit, and certain securities offered by the U.S. government or foreign governments. Our Code of Ethics also includes oversight, enforcement and recordkeeping provisions. A copy of Aureus' Code of Ethics is available to Aureus' advisory clients or prospective clients upon request to the Chief Compliance Officer at Aureus' principal office address.

11.B In no case, does a member or employee have a material financial interest in a security being recommended to a client. Members and employees of Aureus may buy or sell securities that Aureus also recommends to clients. Members and employees adhere to the Aureus Trading Policy, which places the clients' interests above those of the members and of our employees. In our Trading Policy, members and employees are prohibited from buying securities from or selling securities to clients.

11.C,D Aureus employees may also be clients of the firm as identified by an investment management agreement. In such cases, the trading of employee accounts is on the same terms as non-employee clients. Such accounts will receive the same trade allocations and prices as non-employee accounts under our trading policies. For personal trading not covered under an investment management agreement, all employees at Aureus must receive approval from the Chief Compliance Officer for any personal trades on our restricted trading list and all trading is carefully evaluated so as to insure it is not in conflict with the clients' best interests. In certain cases the Chief Compliance Officer may delegate approval of personal trades to the Chief Executive Officer. Such cases are generally related to publicly traded securities where the CEO has more current information on the potential conflicts with securities recommended and traded for clients.

## **Item 12: Brokerage Practices**

- 12.A Aureus has established a prime brokerage account relationship with Fidelity Brokerage Services LLC through which it may effect securities transactions directly from third parties and maintain custody at Fidelity. In this situation, Aureus will select those broker-dealers that will provide the best services at the lowest commission rates possible. The reasonableness of brokerage costs, commissions, and markup/markdowns is based on the broker-dealer's ability to provide professional services, competitive execution, and other services that will help Aureus in providing investment management services to clients.
- A.1.a. Aureus maintains no soft dollar relationships, but reserves the right to enter into soft dollar transactions in the future. In the event Aureus shall receive any research or execution services that are paid for by soft dollars, Aureus will do so only in compliance with Section 28(e) of the Securities Exchange Act of 1934, as amended. Any research reports, economic analyses, market observations newsletters, and/or statistical data are paid for as direct expenses by Aureus. If Aureus had to produce these analyses and research itself, it would increase our costs significantly and would require us to raise the fees that we charge our clients.
- A.1.b. Aureus utilizes the Fidelity Family Offices Services group which is a division of the Fidelity Institutional Wealth Services ("IWS") organization and sponsored by Fidelity Brokerage Services LLC, a FINRA registered broker-dealer. As part of the IWS program, Aureus receives benefits that it would not receive if it did not offer investment advice. These benefits include: A dedicated trading desk that services IWS participants exclusively, a dedicated service group and an account services manager dedicated to Aureus' accounts, access to a real-time order management system, ability to 'block' client trades, electronic download of trades, balances and positions, access, for a fee, to an electronic interface with IWS's software, duplicate and batched client statements, confirmations and year-end summaries, the ability to have advisory fees directly debited from client accounts (in accordance with federal and state requirements), availability of selected third-party research and technology, a quarterly newsletter, access to Fidelity mutual funds, access to WealthScape.com (Internet access to client account information, statements, confirmations, and transfer of asset status. Clients may access their accounts online through Fidelity.com at any time), access to over 350 mutual fund families and 4,500 mutual funds NOT affiliated with Fidelity, of which over 2,000 have no transaction fees, when certain conditions are met and maintained and the ability to have custody fees waived (when negotiated by the adviser and allowed under certain circumstances). While the client might be able to obtain a lower commission in certain instances, we feel the quality of the execution, the ancillary services and the tailored account support provides a benefit that more than outweighs the lower commission.
- A.1.c. Aureus maintains no soft dollar relationships and is not aware of any of our clients consistently paying commissions that are higher than those charged by other broker-dealers.
- A.1.d. Aureus maintains no soft dollar relationships, but instead directly purchases research and services to enhance the investment management of our client's assets. Research and services are purchased for the benefit of all of our clients and are not accounted for on a case-by-case basis.

- A.1.e. At Aureus there are no products and services expressly paid for with client brokerage commissions. Aureus maintains no soft dollar relationships, but does participate in the Fidelity Family Offices Services group which is a division of the Fidelity Institutional Wealth Services ("IWS) organization, sponsored by Fidelity Brokerage services LLC, a FINRA registered broker-dealer. As part of the IWS program, Aureus receives benefits that it would not receive if it did not offer investment advice (see A.1.b for a full list of the benefits of this participation). Research and other services deemed valuable to the investment management of clients' assets are paid for directly by Aureus; and include: FactSet Research Systems, Yardeni Research, StreetAccounts, William O'Neil, and other periodic subscriptions to statistical/data services.
- A.1.f. Aureus maintains no soft dollar relationships and, therefore, there is no need to track commissions relative to specific dollar targets. Instead, Aureus tracks its commission dollars in an effort to monitor and manage client expenses. Client brokerage commissions are directed to ensure competitive trade execution or to maximize the benefit to the management of the client's assets.
- A.2. Aureus suggests based on attractive pricing and quality that a new client use Fidelity Brokerage Services LLC, a FINRA registered broker-dealer for custody. Some new clients request to maintain the existing custody arrangement with a bank or a broker-dealer, and we try to accommodate the request. In the past, we have not received many client referrals from broker-dealers, nor do we expect to in the future.
- A.2.a. Broker-dealers that Aureus selects to execute transactions may periodically refer clients to Aureus. Aureus will not make commitments to any broker-dealer to compensate that broker-dealer and there is no incentive; however, a potential conflict of interest may arise between the client's interest in obtaining best price and execution and Aureus' interest in receiving future referrals. If the client maintains an account at the broker-dealer, Aureus will generally trade through that broker-dealer.
- A.2.b. Aureus did not direct any client transaction to broker-dealers in return for client referrals in 2018, nor do we expect to in 2019.
- A.3.a. For the vast majority of trades, the client is not involved in the choice of the brokerage firm for execution of trades. There are some accounts where the client has directed us to use a specific broker-dealer. Aureus pledges to do our best to honor this request, but we also let the client know that the pricing and execution might not always be as advantageous as when brokerage is not directed.
- A.3.b. When clients have directed us to use a specific broker-dealer or have chosen to use a broker-dealer for custody, Aureus will inform the client that trade execution might not always be as advantageous as when the brokerage account is not captive.
- 12.B Aureus will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block. Block trading allows Aureus to execute equity trades in a timelier, equitable manner and to reduce overall commission charges to clients. Trades for

affiliated accounts may be included in Aureus client block trades in accordance with Aureus' policies set forth in the firm's Code of Ethics. For clients who do not qualify for an aggregate order, there is a chance that the commission will be higher than if the trade had been included with others.

### **Item 13: Review of Accounts**

- 13.A For advisory client accounts managed by Aureus, portfolios and portfolio securities are reviewed on an on-going basis and in addition, receive quarterly or semi-annual reviews by members of Aureus. Frequency of reviews are determined in consultation with clients.
- 13.B More frequent reviews may be triggered by changes in variables such as market, political or economic circumstances, or changes in a client's individual financial objectives or circumstances. Additional reviews may also be performed at the request of a client.
- 13.C Aureus will provide quarterly reports to clients which will include portfolio positions, values, investment performance and investment yields, among other information. Clients will also receive reports and confirmations of any transactions from broker-dealers or custodians maintaining the client's account. Our clients receive detailed quarterly statements including the following:
- Performance by asset class for accounts and grouping of accounts compared to relevant industry benchmarks. We provide this over various time periods (e.g. current quarter, year-to-date, trailing annualized and inception-to-date).
  - Detailed holdings report of individual securities held in each account as well as a summary of these securities by asset class and sector.
  - For clients invested in the Aureus Fund Series LLC and Aureus Fund II, LLC a detailed report on holdings of managers/funds, weightings of managers/funds, strategy allocation and performance.
  - On a quarterly basis we provide clients a detailed attribution discussion of the individual securities in the portfolio and their contribution to performance for the quarter.

#### ***Aureus Fund Series LLC and Aureus Fund II, LLC:***

Aureus will provide each member, as soon as practicable after the close of each fiscal year, audited financial statements and any other information necessary to enable each member to prepare its income tax returns. The Fund's ability to provide tax information to its members is dependent on the Fund being furnished with tax information by other investment funds and, in some cases, portfolio companies. To the extent that investment funds and portfolio companies provide the Fund with tax information that is incorrect or untimely, the Fund will not be able to furnish investors with correct tax information in a timely manner. Members of the Fund should be aware that they may need to file tax returns after April 15th (and therefore seek an extension with respect to filing) because of the typical pace at which tax information is available from certain types of investment funds and that an investment in the Fund may complicate their tax returns. Members will receive a monthly report from an independent Fund Administrator providing a summary of the investor's capital account including capital balance, transactions and estimated capital gain (loss) for the month.

Aureus provides an annual *Global Asset Allocation Review* to clients as well as a quarterly *Investment Perspectives* piece to our clients outlining our strategic thinking about various topics or themes. We post these on our website.

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

14.A No outside entity pays Aureus for investment advice to non-clients.

14.B ***Participation in Fidelity Wealth Advisor Solutions®***. Aureus participates in the Fidelity Wealth Advisor Solutions® Program (the “WAS Program”), through which Aureus receives referrals from Fidelity Personal and Workplace Advisors LLC (FPWA), a registered investment adviser and Fidelity Investments company. Aureus is independent and not affiliated with FPWA or any Fidelity Investments company. FPWA does not supervise or control Aureus, and FPWA has no responsibility or oversight for Aureus’s provision of investment management or other advisory services.

Under the WAS Program, FPWA acts as a solicitor for Aureus, and Aureus pays referral fees to FPWA for each referral received based on [Advisor’s] assets under management attributable to each client referred by FPWA or members of each client’s household. The WAS Program is designed to help investors find an independent investment advisor, and any referral from FPWA to Aureus does not constitute a recommendation or endorsement by FPWA of Aureus’s particular investment management services or strategies. More specifically, Aureus pays the following amounts to FPWA for referrals: the sum of (i) an annual percentage of 0.10% of any and all assets in client accounts where such assets are identified as “fixed income” assets by FPWA and (ii) an annual percentage of 0.25% of all other assets held in client accounts. In addition, Aureus has agreed to pay FPWA a minimum annual fee amount in connection with its participation in the WAS Program. These referral fees are paid by Aureus and not the client.

To receive referrals from the WAS Program, Aureus must meet certain minimum participation criteria, but Advisor may have been selected for participation in the WAS Program as a result of its other business relationships with FPWA and its affiliates, including Fidelity Brokerage Services, LLC (“FBS”). As a result of its participation in the WAS Program, Aureus may have a potential conflict of interest with respect to its decision to use certain affiliates of FPWA, including FBS, for execution, custody and clearing for certain client accounts, and Advisor may have a potential incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to Aureus as part of the WAS Program. Under an agreement with FPWA, Aureus has agreed that Advisor will not charge clients more than the standard range of advisory fees disclosed in its Form ADV 2A Brochure to cover solicitation fees paid to FPWA as part of the WAS Program. Pursuant to these arrangements, Aureus has agreed not to solicit clients to transfer their brokerage accounts from affiliates of FPWA or establish brokerage accounts at other custodians for referred clients other than when Aureus’s fiduciary duties would so require, and Advisor has agreed to pay FPWA a one-time fee equal to 0.75% of the assets in a client account that is transferred from FPWA’s affiliates to another custodian; therefore, Aureus may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of FPWA. However, participation in the WAS Program does not limit Aureus’s duty to select brokers on the basis of best execution.

***Client referral relationship.*** Aureus has in place one relationship where an individual is paid a referral fee for introducing clients to the firm. Payment is made only for new accounts opened through this relationship and based on first year estimated revenue to the firm. This payment is paid by Aureus and does not increase any fees paid by the client.

### **Item 15: Custody**

Most of our separate portfolios are held at Fidelity Family Office Service Group, which provides custodial services and from whom our client's receive monthly statements in addition to what we send them. Other clients having prior relationships with a bank or investment bank, continue to use that firm as custodian. Clients should compare the account statements that they receive from their custodian with those that they receive from us.

Aureus serves as the Managing Member for the Aureus Fund II, LLC and the Aureus Fund Series LLC and is therefore deemed to have custody of these Funds. ALPS Alternative Investments, LLC is the administrator for the Funds but the assets of the funds are held with the different managers' custodians. Clients should compare the account statements that they receive from the administrator with those that they receive from us.

### **Item 16: Investment Discretion**

Aureus has investment discretion for the vast majority of our clients. This discretion is spelled out in the investment management agreement that is signed by the client before the account is opened.

### **Item 17: Voting Client Securities**

Aureus maintains written Proxy Policy & Procedures that reflect the firm's duty as a fiduciary to vote proxies in the best interests of our clients. Certain clients may have expressly retained proxy-voting authority and in such instances Aureus has no proxy voting responsibility and may not take any action regarding those clients' proxies.

In the event of any actual or potential conflicts of interest in the voting of any client proxies, Aureus will either request that the client vote the proxy(s), abstain from voting, or vote the client proxies based on pre-established voting guidelines, depending on the circumstances. Furthermore, unaffiliated investment managers selected by Aureus will have proxy-voting authority for securities under their management.

Aureus maintains relevant and appropriate proxy records as part of the firm's Proxy Policy & Procedures. Our Proxy Policy & Procedures including information about the voting of a client's proxies, where Aureus has such proxy-voting responsibility, are available to a client upon written request sent to Aureus, Attention: *Client Services*.

### **Item 18: Financial Information**

- 18.A Aureus does not require or solicit prepayment of any fees from clients and therefore is not required to include a balance sheet for its most recent fiscal year.
- 18.B Aureus has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.
- 18.C Aureus has never been subject of a bankruptcy petition.