

Auburndale Investment Management

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March 31, 2011

This Brochure provides information about the qualifications and business practices of Auburndale Investment Management (“AIM”). If you have any questions about the contents of this Brochure, please contact “AIM” at 617-261-6400 or [stuart@auburninvest.com](mailto:stuart@auburninvest.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

“AIM” is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about “AIM” also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that “AIM” provides to clients as required by SEC Rules. This Brochure dated March 31, 2011, is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that the previous brochure did not require.

“AIM” has been registered as an Investment Advisor with the Securities and Exchange Commission since 2007 and was previously registered with the Massachusetts Securities Division. As a result of 2010 amendments to the Investment Advisors Act requiring an increased minimum level of assets under management to qualify for SEC registration, “AIM” will change to again being registered with the Massachusetts Securities Division during 2011.

Pursuant to new SEC Rules, “AIM” will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of its fiscal year.

A copy of this Brochure may be requested by contacting David B. Stuart at 617-261-6400 or [stuart@auburninvest.com](mailto:stuart@auburninvest.com).

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#### **Item 4 – Advisory Business**

Auburndale Investment Management offers investment supervisory services managing separate portfolios of publicly traded securities on a discretionary basis.

In connection with the investment supervisory services, advice can also be provided on personal finances including budgeting and planning.

The firm began business on April 1, 2003. David Stuart is the owner of the firm which is organized as a sole proprietorship. He is also President of “AIM” and the only employee.

Portfolios are customized to the needs of individual clients based on an understanding of the clients’ financial situations and their investment objectives and preferences. While “AIM” will have discretion on what specific securities and amounts to hold in a client account, a client is encouraged to indicate their preferences of specific securities, industries, or other characteristics of positions to hold or not hold.

As of December 31, 2010, “AIM” had \$30,400,000 of client assets under management all of which was on a discretionary basis.

#### **Item 5 – Fees and Compensation**

##### **Fee Schedule**

Management on a discretionary basis of separate account portfolios of publicly traded securities

A quarterly fee of 0.1875% of account value (0.75% annual rate) on value to \$2,000,000 and 0.125% (0.5% annual rate) on value over \$2,000,000 with a minimum quarterly fee of \$1,875. Fees are billed quarterly in arrears on quarter end value. Fees are negotiated to reflect special circumstances such as large legacy holdings which are anticipated to have limited trading and portfolios inherited from “AIM” clients.

##### **Advice on personal finances**

Advice on issues other than portfolio supervision generally does not involve additional fees beyond the investment management fees. In situations where advice or analysis is provided on an ongoing basis, fees are negotiated based on needs.

Each client will have an agreement letter specifying the fee arrangement. Fees are deducted from client accounts as is allowed in the custodian account agreement.

“AIM’s” fees are exclusive of brokerage commissions and other transaction fees or taxes charged by custodians or others which shall be incurred by the client (See Item 12 on Brokerage Practices). Also mutual funds and exchange traded funds positions incur internal management fees and expense charges. These fees and charges are in addition to “AIM” fees.

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

“AIM” does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

### **Item 7 – Types of Clients**

“AIM” provides portfolio management services to individuals and families. Accounts under management include individual and joint accounts, trust accounts, IRA’s and other retirement accounts.

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

A portion of “AIM”’s portfolios are invested in equities, generally common stocks. Stocks are selected based on “fundamental” characteristics such as price-earnings ratios, projected earnings growth rates, balance sheet strength. Stocks of interest are determined through reading of general business publications, identification of industry and product areas for emphasis and stock screening. Stocks identified for purchase are anticipated to be held for five years or more. Stock portfolios are diversified over industries and size of companies with generally at least twenty individual positions. Most equity holding are individual company stocks though mutual funds including “ETF”’s (Exchange Traded Funds) are used to increase exposure to stocks in general or to particular areas such as international stocks.

A second portion of portfolios are allocated to fixed income securities. This portion is intended to carry a lower level of risk than the equity portion. Generally it will be invested in a “laddered” portfolio of individual bonds of differing maturities out to a maximum of ten years. These will be highly rated investment grade bonds that might be taxable or tax-exempt based on what is more advantageous based on the individual client’s tax situation.

Investing in securities involves risk of loss that a client should be prepared to bear. “AIM” will counsel clients to help them understand the implications of that risk and to choose an appropriate allocation between equity and fixed income portions of the account for their appetite for risk.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of “AIM” or the integrity of “AIM”’s management. “AIM” has been involved in no such events and has no information to report for this Item.

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

None

### **Item 11 – Code of Ethics**

“AIM” has adopted the Code of Ethics and Standards of Practice of the CFA Institute. The CFA Institute is the largest global association of investment professionals with over 100,000 members. The organization is dedicated to developing and promoting educational, ethical, and professional standards in the investment industry. The Institute awards the Chartered Financial Analyst (CFA) designation to candidates who successfully complete a series of examinations over multiple years and meet other requirements. CFA’s must abide by the Code of Ethics and Standards of Practice which require integrity, professionalism, putting client interests ahead of personal interests, considering suitability of client recommendations for a client’s individual situation, maintaining independence and objectivity and disclosure of conflicts of interest.

“AIM” will provide a copy of this Code of Ethics and Standards of Practice to any client or prospect on request. It is also available online at:

<http://www.cfainstitute.org/learning/products/publications/ccb/Pages/ccb.v2010.n14.1.aspx>

“AIM” personnel may invest in the same securities that are bought or sold for client accounts. Client trades in these securities will be given priority over trades of “AIM” personnel. If a client and “AIM” personnel are to make trades in the same or related securities on a particular date, the client trades will be executed first.

## **Item 12 – Brokerage Practices**

“AIM” will encourage use of a custodian and broker with which “AIM” has a working relationship that facilitates efficient and consistent operations. That custodian/broker has a commission and fee schedule which “AIM” considers to be reasonable and competitive. A client may choose to use another custodian and broker if acceptable to “AIM”.

“AIM” has available from its primary custodian/broker research and online resources that the broker and custodian generally provides to customers. “AIM” does not participate in any “soft dollar” programs where credits or resources are provided in exchange for a specified volume of commissions.

## **Item 13 – Review of Accounts**

“AIM” reviews all accounts on a quarterly basis in connection with generating quarterly appraisals. The review looks at current holdings, the allocation of holdings between equity and fixed income holdings, the allocation of equity holding between broad industry categories, the maturity schedule of fixed income holdings, and returns of the overall portfolio and returns of the equity portion and individual positions versus general market returns. Accounts are reviewed on a continuing basis for position changes as ideas for new holdings are generated or changes in position weightings are considered.

Quarterly appraisals are sent to clients along with a listing of security purchases and sales, an analysis of returns and general comments on the economic environment and market movements. (see Item 15 for Custodian reports)

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

“AIM” has not compensated anyone for client referrals and does not anticipate doing so.

## **Item 15 – Custody**

Client accounts will be held by a custodian/broker independent of “AIM”. (see Item 12) The custodian will send monthly statements and transaction confirmations to the client. Clients are urged review these statements and confirmations and to compare statements from the custodian to quarterly appraisals sent by “AIM”. (see Item 13)

## **Item 16 – Investment Discretion**

Discretionary authority is given to “AIM” by the client through a standard Letter Agreement between the client and “AIM”. In the Brokerage Agreement between the client and the custodian/broker, the client acknowledges to the custodian broker that the client gives “AIM” authority to execute trades in the client’s account. “AIM” and the client may also agree on limitations to the discretionary authority which may include authorized ranges of allocations to asset classes or prohibitions on holdings of certain securities or types of securities.

## **Item 17 – Voting Client Securities**

As a matter of firm policy and practice, “AIM” does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. “AIM” may provide advice to clients regarding the clients’ voting of proxies.

## **Item 18 – Financial Information**

“AIM” has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients.

## **Item 19 – Supplement Information for David Stuart**

### **A. Educational Background and Business Experience**

David Stuart, 62, received a B.S. in Engineering and Applied Science from Yale University and an M.B.A. from Harvard Business School. He was a Vice President with Wilkins Investment Counsel, Inc. from 1991 to 2003 and has been President of Auburndale Investment Management from 2003 to the present. He holds the Chartered Financial Analyst (CFA) designation (see Item 11).

### **B. Disciplinary Information**

David Stuart has not been a subject of any disciplinary actions.



#### C. Other Business Activities

David Stuart is not involved in other business activities.

#### D. Additional Compensation

David Stuart does not receive compensation other than that from “AIM” client fees.