

**Auxano Advisors, LLC**  
**Form ADV Part 2A**  
**Investment Adviser Brochure**

**March 2011**

This brochure provides information about the qualifications and business practices of Auxano Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 425.889.1261 and/or [Peter@auxanoadvisors.com](mailto:Peter@auxanoadvisors.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.

Additional information about Auxano Advisors, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Item 2: Summary of Material Changes

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### Introduction

In July, 2010, the United State Securities and Exchange Commission published a new rule “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure 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 our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

### Full Brochure Available

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Peter Cline, Managing Member and Chief Compliance Officer, at 425.889.1261 or [Peter@auxanoadvisors.com](mailto:Peter@auxanoadvisors.com).

Additional information about Auxano Advisors, LLC is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with Auxano Advisors, LLC who are registered, or are required to be registered, as investment adviser representatives of Auxano Advisors, LLC.

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## **Item 4: Advisory Business**

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### **Firm Description**

Auxano Advisors, LLC (Auxano) is an investment advisory firm providing investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and corporations. Auxano was founded in 2008.

### **Principal Owners**

Auxano is owned by two individuals, primarily members of the management team. Auxano's owners include Peter Cline and Brian Pearson.

### **Types of Advisory Services**

Auxano provides investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and corporations.

Auxano offers a comprehensive package of services (Family Office Services) to its clients or offers portfolio management on a stand-alone basis (Investment Advisory Services).

### **Family Office Services**

Family Office Services may include a review of all aspects of a client's current financial situation, including, but not limited to asset allocation, investment review, cash management, risk management, insurance, education funding, goal setting, retirement planning, estate planning, charitable giving planning, tax planning, and capital needs planning. Family Office Services may also include investment advisory services, defined as giving continuous advice to a client or making investments for a client 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, Auxano develops a client's personal investment policy and creates and manages a portfolio based on that policy. Auxano will manage advisory accounts on both a discretionary and nondiscretionary basis.

Auxano meets with the client to review risk tolerance, financial goals and objectives, and time horizons. Meetings may also include a review of additional financial information, sources of income, assets owned, existing insurance, liabilities, wills, trusts, business agreements, tax returns, investments, and personal and family obligations.

Auxano does not provide specific tax or legal advice but with the client's consent, Auxano may work with client's other advisors (accountant, attorney, or insurance agent) to help with coordination and implementation of the agreed upon strategies. The client should be aware that their other advisors will bill them separately for their services and these fees will be in addition to those of Auxano. Specific product recommendations made by Auxano (or its related persons) will usually be for "no-load" (i.e., no commission) products, if available. In some cases, such as insurance products, there may not be a suitable selection of no load products available for recommendation.

Family Office Services are based on the client's financial situation at the time and are based on financial information disclosed by client to Auxano. Clients are advised that certain assumptions may be made with respect to interest and inflation rates and use of past trends and performance of the market and economy. However, past performance is in no way an indication of future performance. Auxano cannot offer any guarantees or promises that the client's financial goals and objectives will be met. Further, the client must continue to review any plan and update the plan based upon changes in the client's financial situation, goals, or objectives or changes in the economy. Should the client's financial situation or investment goals or objectives change, the client must notify Auxano promptly of the changes.

### **Investment Advisory Services**

Auxano provides investment advisory services, defined as giving continuous advice to a client or making investments for a client 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, Auxano develops a client's personal investment policy and creates and manages a portfolio based on that policy. Auxano will manage advisory accounts on both a discretionary and nondiscretionary basis.

### **Other Investments**

If suitable, Auxano may recommend the use of Independent Manager(s) or Private Funds to certain clients as a component of overall investment planning and allocation advice. When recommending an Independent Manager or Private Fund, Auxano shall review disclosure documents, investment agreements, private placement memoranda and other materials, as applicable. Auxano shall continue to render services to the client relative to assets placed with Independent Manager(s) or Private Funds, including monitoring and review of account performance and client investment objectives.

### **Tailored Relationships**

Auxano tailors advisory services to the individual needs of the client. Clients may impose restrictions on investing in certain securities or types of securities. All limitations and restrictions placed on accounts must be presented to Auxano in writing.

The goals and objectives for each client are documented in our client relationship management system. Investment policy statements are created that reflect the stated goals and objective. Agreements may not be assigned without client consent.

### **Wrap Fee Programs**

In some instances, Auxano will use Wrap Fee Programs to manage client assets using Independent Managers. The only significant difference between how Auxano manages wrap fee accounts versus other accounts is that wrap fee account trading is executed through a directed broker. Auxano receives a portion of the total wrap fee for its portfolio management services.

**Client Assets**

As of December 31, 2010, Auxano manages approximately \$184.1 million in assets. Approximately \$179 million is managed on a discretionary basis, and \$5.1 million is managed on a non-discretionary basis.

## **Item 5: Fees and Compensation**

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### **Compensation**

Auxano bases its fees on a percentage of assets under management and in some cases, performance-based fees.

#### **Compensation – Family Office Services**

Financial Planning and Consulting fees will be charged in one of two ways:

Auxano's fee schedule starts at 1% and declines thereafter based upon the amount of assets the client has managed by the Firm, as outlined in the client agreement.

Auxano's minimum fee for Family Office Services is \$20,000 per year. Fees may vary from the stated schedule.

#### **Compensation – Investment Advisory Services**

Auxano's fee schedule starts at 1% and declines thereafter based upon the amount of assets the client has managed by the Firm, as outlined in the client agreement.

Auxano's minimum fee for Investment Advisory Services is \$10,000 per year. Fees may vary from the stated schedule.

#### **Compensation – Other Investments**

Auxano will receive its standard management fee on the overall client portfolio and may receive performance fees. In addition, the Independent Managers in the Wrap Fee Program or advisors to the Private Funds will receive management and/or performance fees as disclosed in the separate investment management agreement or private placement memoranda.

### **Calculation and Payment**

The specific manner in which fees are charged by Auxano is established in a client's written agreement with Auxano. Auxano will generally calculate fees in arrears each calendar quarter. Clients may also elect to be invoiced directly for fees or to authorize Auxano to directly debit fees from client accounts.

Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

### **Other Fees**

Auxano's Family Office and Investment Advisory Services fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by Independent Managers, custodial fees, 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. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus.

Such charges, fees and commissions are exclusive of and in addition to Auxano's fee, and Auxano shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that Auxano considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (e.g., commissions).

### **Termination of Agreement**

A client may terminate any of the aforementioned agreements at any time by notifying Auxano in writing and paying the rate for the time spent on the investment advisory engagement prior to notification of termination. If the client made an advance payment, Auxano will refund any unearned portion of the advance payment.

### **Other Compensation**

Neither Auxano nor any of its supervised persons (employees) accept compensation for the sale of securities or other investment products.

### **General Information on Compensation**

In certain circumstances, all fees and account minimums may be negotiable. Auxano's fees may be negotiable based on various criteria, including, but not limited to the size of the aggregate related party portfolio size and pre-existing relationships with clients. Compensation will ultimately be based on the time involved, the degree of responsibility assumed, complexity of the engagement, special skills needed to solve problems, the application of experience and knowledge of the client's situation.

Related accounts may be linked for purposes of fee calculation if all parties agree; meaning certain accounts, approved by Auxano, may be grouped for fee calculations.

A client could invest in a mutual fund, purchase insurance directly or use an Independent Manager in a Wrap Fee Program without the services of Auxano. In that case, the client would not receive the services provided by Auxano, which are designed to assist the client in determining which investments are most appropriate to their financial condition. Accordingly, the client should review all the fees charged to understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

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

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In some cases, Auxano has entered into performance fee arrangements with qualified clients: such fees are subject to individualized negotiation with each such client. Auxano will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940 (The Advisors Act) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, Auxano shall include realized and unrealized capital gains and losses.

Performance based fee arrangements may create an incentive for Auxano to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Auxano has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

## Item 7: Types of Clients

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### **Types of Clients**

As described in Item 4 above, Auxano provides investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and corporations.

### **Account Minimums**

Auxano requires a minimum account of \$1,000,000 for Investment Advisory clients, although this may be negotiable under certain circumstances. Auxano may group certain related client accounts for the purposes of achieving the minimum account size.

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

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### **Methods of Analysis, Sources of Information, and Investment Strategies**

Auxano may employ a variety of methods of investment analysis including but not limited to fundamental analysis, technical analysis and cyclical analysis.

The main sources of information that Auxano relies upon include financial media, research databases and material prepared by others, along with reports/filings with the SEC.

Investment strategies used by Auxano to implement investment advice given to clients can take the form of long-term purchases (securities held at least a year) as well as short-term purchases (securities sold within a year) depending on the investment climate and unique client circumstances. Strategies may be implemented by investing in both listed and privately placed securities. Investing in securities involves risk of loss that clients should be prepared to accept.

### **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** 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.

### **Initial Public Offerings**

Auxano typically does not participate on behalf of its clients in initial public offerings. In the event Auxano does so participate, all portfolio managers will be provided with copies of the registration statement and other information about the IPO for research. Portfolio managers will determine for which clients the IPO security is suitable and appropriate, and will have a pre-determined deadline for submitting orders. The trader will submit one aggregated order on behalf of all Auxano's clients. In the event Auxano receives only a partial fill of the IPO order, Auxano will allocate shares. Auxano will generally allocate IPO shares on a pro rata basis, but may fill small orders entirely before applying the pro rata allocation.

### **Aggregated Trades**

At the sole discretion of Auxano, aggregate purchases or sales of the same security, instrument or obligation may be transacted on the same day for multiple accounts of one or more of Auxano's clients. Although such aggregations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they will be effected only when Auxano believes that to do so will be in the best interest of the affected accounts. When transactions are so aggregated the actual prices applicable to the aggregation transaction will be deemed to have purchased or sold its share of the security, instrument or obligation at the average price. If a partial execution is attained at the end of the trading day, Auxano will generally allocate shares on a pro rata basis, but may fill small orders entirely before applying the pro rata allocation.

## **Item 9: Disciplinary Information**

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### **Legal and Disciplinary**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Auxano or the integrity of Auxano's management. Auxano has no information to disclose applicable to this Item.

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

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### **Financial Industry Activities**

Auxano is not registered as a broker-dealer, and none of its management persons are registered representatives of a broker-dealer.

Neither Auxano nor any of its management persons is registered as (or associated with) a futures commissions merchant, commodity pool operator, or a commodity trading advisor.

### **Affiliations**

Certain employees have life and disability insurance licenses and may receive separate compensation for insurance policy sales. Clients are not obligated to use Auxano for insurance product purchases, and may work with any insurance agent they choose. Insurance compensation will be separate and distinct from investment advisory and other fees charged by Auxano. Employees spend less than 5% of their time on these activities.

### **Other Investment Advisors**

Auxano recommends Independent Managers in Wrap Fee Programs, which do not create a material conflict of interest.

Auxano has no other business relationships with investment advisors that may create a material conflict of interest.

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

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### **Code of Ethics**

Auxano employees must comply with a Code of Ethics and Statement for Insider Trading. The Code describes the Firms' high standard of business conduct, and fiduciary duty to its clients. The Code's key provisions include:

- Statement of General Principles
- Policy on and reporting of Personal Securities Transactions
- A prohibition on Insider Trading
- Restrictions on the acceptance of significant gifts
- Procedures to detect and deter misconduct and violations
- Requirement to maintain confidentiality of client information

Peter Cline, President and Chief Compliance Officer reviews all employee trades each quarter. His trades are reviewed by Brian Hill, Director of Portfolio Accounting. These reviews ensure that personal trading does not affect the markets, and that clients of Auxano receive preferential treatment. Since most employee trades are small mutual fund trades or exchange-traded fund trades, the trades do not affect the securities markets.

All Auxano employees must acknowledge the terms of the Code of Ethics at least annually.

Any individual not in compliance with the Code of Ethics may be subject to termination.

Clients and prospective clients can obtain a copy of Auxano's Code of Ethics by contacting Peter Cline at 425.889.1261.

### **Participation or Interest in Client Transactions – Personal Securities Transactions**

Auxano and its employees may buy or sell securities identical to those recommended to clients for their personal accounts. These trades may not occur ahead of client trades. The Code of Ethics, described above, is designed to assure that the personal securities transactions, activities and interests of the employees of Auxano will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Auxano's clients. In addition, the Code restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security

held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Auxano and its clients.

### **Participation or Interest in Client Transactions – Principal/Agency Cross**

Auxano and its employees do not recommend to clients, or buy or sell for client accounts, securities in which they have a material financial interest.

It is Auxano's policy that the Firm will not affect any principal or agency cross securities transactions for client accounts. Auxano will also not cross trades between client accounts.

### **Participation or Interest in Client Transactions – Aggregation**

Auxano and its employees may trade in the same securities with client accounts on an aggregated basis when consistent with Auxano's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Auxano will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

## **Item 12: Brokerage Practices**

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### **Research and Other Soft Dollar Benefits**

Auxano does not receive soft dollar benefits other than execution from broker/dealers in connection with client securities transactions. See disclosure below in “Brokerage – Other Economic Benefits”.

### **Brokerage for Client Referrals**

Auxano does not receive client referrals from broker/dealers.

### **Directed Brokerage**

Auxano manages investment advisory accounts on a discretionary basis, which means that Auxano has the authority to determine the securities that are bought or sold and the amounts of the purchases and sales. If a client wishes to limit this authority, the client must specify any limitations in writing at any time. Clients must provide Auxano with written authorization to select the broker/custodian. Auxano may recommend a broker/custodian to clients.

While not routine, the client may direct Auxano to use a particular broker-dealer to execute some or all transactions for the client. This brokerage direction must be requested by the client in writing. In that case, the client will negotiate terms and arrangements for the account with that broker-dealer, and Auxano will not seek better execution services or prices from other broker-dealers or be able to “batch” client transactions for execution through other broker-dealers with orders for other accounts managed by Auxano. By directing brokerage, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Not all advisers require or allow their clients to direct brokerage. Subject to its duty of best execution, Auxano may decline a client’s request to direct brokerage if, in Auxano’s sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

### **Brokerage – Best Execution**

Auxano seeks best execution when effecting transactions for client accounts. Although there is no fixed manner to determine whether a particular broker provides best execution, the following factors may be relevant:

1. Competitive fees for comparable execution and services rendered from other brokers for similar transactions
2. Access to the trading desk
3. Difficulty of order
4. Broker’s distribution network
5. Willingness of broker to commit its own capital to work difficult orders, and
6. Broker’s level of accuracy in executing, reporting and settling transacted orders.

## Brokerage – Other Economic Benefits

Auxano generally recommends that Investment Advisory clients establish brokerage accounts with Schwab Institutional (Schwab) to maintain custody of clients' assets and to effect trades for their accounts.

Auxano is independently owned and operated and not affiliated with Schwab. Schwab provides Auxano with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis **and are not otherwise contingent upon Auxano committing to Schwab any specific amount of business** (assets in custody or trading).

For Auxano client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts. The brokerage commissions and/or transaction fees charged by Schwab or any other designated broker-dealer are exclusive of and in addition to Auxano's fees.

Schwab offers services intended to help Auxano manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to Auxano.

Auxano may also receive from Schwab, at no cost to Auxano, professional services, computer software and related systems support, enabling Auxano to better monitor client accounts maintained at Schwab. Auxano may receive this support without cost because of the portfolio management services rendered to clients that maintain assets at Schwab. The support provided may benefit Auxano, but not its clients directly. Many of these products and services may be used to service all or some substantial number Auxano accounts, including accounts not maintained at Schwab.

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 Auxano. In evaluating whether to recommend or require that clients custody their assets at Schwab, Auxano may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest. Auxano does not believe such incentives impair Auxano's independence.

In fulfilling its duties to its clients, Auxano endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Auxano's receipt of economic benefits from a broker-dealer may create a conflict of interest since these benefits may influence Auxano's choice of broker-dealer over another broker-dealer that does not furnish similar services, software and systems support.

The commissions paid by Auxano's clients shall comply with Auxano's duty to obtain "best execution." However, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Auxano determines, in good faith, that the commission is 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 broker-dealer's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while Auxano will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

### **Trade Aggregation – Other**

Auxano typically aggregates trades for multiple accounts. Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. If the order is filled at different prices during the day, the prices are averaged for the day so that all participating accounts receive the same price. If an order has not been filled completely so that there are not enough shares to allocate among all the clients equally, shares will be allocated in good faith, based on the following considerations: amount of cash in the account, existing asset allocation and industry exposure, risk profile, and type of security. All clients participating in each aggregated order shall receive the average price and subject to minimum ticket charges, pay a pro-rata portion of commissions.

Auxano's allocation procedure seeks to be fair and equitable to all clients with no particular group or client(s) being favored or disfavored over any other clients.

Accounts for Auxano or its employees may be included in a block trade with client accounts.

## Item 13: Review of Accounts

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### Reviews

Peter Cline, Managing Member/Chief Compliance Officer is responsible for overseeing all reviews.

Auxano's Investment Committee is comprised of Peter Cline, Brian Pearson, Alex Lee, Brian Hill, Kimberlee Rankin and Andrew Matson. Members of the Investment Committee meet periodically to discuss overall firm investment philosophy. Peter Cline and Alex Lee are Senior Client Managers.

Each client is assigned a Client Manager who has the responsibility for communicating with the client. The Client Manager typically obtains a Risk Questionnaire from the client and prepares a written Investment Policy Statement (IPS) to establish investment goals, objectives and management policies applicable to the client's investment portfolio. The IPS generally covers the following areas (as applicable): a review of the client's circumstances, the purpose of the portfolio and its time horizon, portfolio goals, tax considerations, investor goals, investment policy objectives, anticipated liquidity needs, investment philosophy and proposed asset allocation, investment selection, constraints, risk tolerance, monitoring intervals, and portfolio loans, as applicable.

The Risk Questionnaire and IPS are an integral part of reviewing accounts, and are updated (as necessary) and presented to clients periodically.

The Investment Committee and Client Managers monitor client accounts continuously, while Client Managers perform a more detailed review of client accounts periodically. These reviews typically include comparing the portfolio with the goals and objectives as outlined by the Risk Questionnaire and IPS, reviewing changes to the client's investment circumstances, evaluating the specific holdings, re-balancing the portfolio and communicating the status of the portfolio to the client.

Reviews may also occur at the time of new deposits, material changes in client's financial information, or changes in economic cycles.

Auxano encourages frequent client contact, but will seek out contact no less than annually. However, clients are obligated to promptly notify Auxano of any changes in the client's financial status to ensure that investment strategies continue to meet the client's changing needs.

### Reporting

Clients receive written reports at least quarterly from custodial and brokerage firms, which may include individual holdings, cost basis information, deposits and withdrawals, accrued income, dividends, and performance. In addition, clients may receive trade confirmations for each position bought and sold. Auxano may periodically prepare reports or communications related to investment advisory or services provided.

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

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### **Other Compensation**

Auxano does not receive any economic benefits (other than normal compensation) from any firm or individual for providing investment advice.

### **Other Compensation – Brokerage Arrangements**

See disclosure under Item 12. Brokerage practices regarding compensation, including economic benefits received in connection with giving advice to clients.

### **Compensation – Client Referrals**

Auxano does not make or accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

## Item 15: Custody

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### **Custody – Fee Debiting**

Client assets shall be held in the custody of a bank, trust company or brokerage firm agreed upon by the client and Auxano. The client may authorize Auxano (in the client agreement) to debit fees directly from the client's account at the custodian. The custodian is advised in writing of the limitation of Auxano's access to the account. The custodian sends a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of advisory fees paid directly to Auxano.

While Auxano will assist clients in establishing and maintaining accounts at the custodian, Auxano shall have no responsibility or liability with respect to custodial arrangements or the acts, omissions or other conduct of the custodian.

### **Custody – Account Statements**

As described in Item 13, clients receive at least quarterly statements from the broker dealer, bank or other qualified custodian (custodian) that holds and maintains client's investment assets. Clients are urged to carefully review such statements and compare such official custodial records to the account statements or other reports that Auxano provides. Auxano statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## Item 16: Investment Discretion

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### **Discretionary Authority for Trading and Limited Power of Attorney**

Through the investment management agreement, Auxano may accept limited power of attorney to act on a discretionary basis on behalf of clients. A limited power of attorney allows Auxano to execute trades on behalf of clients.

When such limited powers exist between the Auxano and the client, Auxano has the authority to determine, without obtaining specific client consent, both the amount and type of securities to be bought to satisfy client account objectives. Additionally, Auxano may accept any reasonable limitation or restriction to such authority on the account placed by the client. All limitations and restrictions placed on accounts must be presented to Auxano in writing.

If Auxano has not been given discretionary authority, Auxano consults with the client prior to each trade.

## Item 17: Voting Client Securities

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### Proxy Voting Policy

Auxano does not have any authority to and does not vote proxies on behalf of clients. Auxano also does not render advice to or take any actions on behalf of clients with respect to any legal proceedings, including bankruptcies and shareholder litigation. Clients retain the responsibility for receiving and voting proxies and any legal proceedings for securities maintained in their portfolios; clients receive these corporate actions from directly from either custodians or transfer agents.

If requested, Auxano may provide advice to clients regarding proxy votes and legal proceedings. If any conflict of interest exists, it will be disclosed to the client. Clients may contact Auxano at 425.889.1261 for information about proxy voting.

## Item 18: Financial Information

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### Financial Condition

Auxano has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

Auxano is not required to provide a balance sheet; Auxano does not require prepayment of fees of both more than \$1,200 per client **and** more than six months in advance.

## Other Information

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### **Privacy**

Auxano is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. We use this information to help you meet your personal financial goals.

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver our Privacy Notice to you annually, in writing.

### **Business Continuity Plan**

Auxano has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people. The Business Continuity Plan covers natural and man-made disasters. Electronic files are backed up daily and archived offsite.

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. Auxano's intention is to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

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**Auxano Advisors, LLC**  
**Form ADV Part 2B**  
**Investment Adviser Brochure Supplement**

**Supervisor: Peter Cline**

**Supervisor of:**  
Brian Pearson  
Alexander Lee  
Brian Hill  
Andrew Matson  
Kimberlee Rankin

**March 2011**

This brochure supplement provides information about the Firm's Supervised Persons that supplements the Auxano Advisors, LLC's brochure. You should have received a copy of that brochure. Please contact Peter Cline, Managing Member and Chief Compliance Officer, if you did not receive Auxano Advisors, LLC's brochure or if you have any questions about the contents of this supplement.

Additional information about the Firm's Supervised Persons is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

401 Parkplace, Suite 400  
Kirkland, WA 98033  
425.889.1261  
[Peter@auxanoadvisors.com](mailto:Peter@auxanoadvisors.com)  
[www.auxanoadvisors.com](http://www.auxanoadvisors.com)

## Educational Background and Business Experience

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### Education and Business Background

All individuals that provide investment advice on behalf of Auxano are required to have a college degree and/or industry experience. In addition, individuals must be properly licensed and registered, unless exempted, in states in which such individuals are conducting investment advisory business. Individuals may also be required to be licensed in the areas of life, health and disability insurance.

### Supervised Persons

***Peter W. Cline***

***Born 1960***

#### **Business Background:**

Auxano Advisors, LLC Managing Member / Chief Compliance Officer	2008 – Present
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Raymond James Financial Services Branch Manager	1991 – 2008
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Laney and Company Financial Advisor	1987 – 1990
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#### **Professional Designations and Licenses:**

Certified Financial Planner (CFP®)

***Brian D. Pearson***

***Born 1966***

#### **Business Background:**

Auxano Advisors, LLC Chief Investment Officer / Member	2008 – Present
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Cornerstone Advisors, Inc. Chief Investment Officer / Shareholder	1988 – 2007
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#### **Education Background:**

Seattle Pacific University, BS  
Seattle University, MSF

## **Professional Designations and Licenses:**

Chartered Financial Analyst (CFA)

### ***Alexander Lee***

***Born 1967***

#### **Business Background:**

Auxano Advisors, LLC  
Senior Client Manager

2008 – Present

Raymond James Financial Services  
Financial Advisor

2002 – 2008

Waddell & Reed  
Financial Advisor

1992 – 2002

#### **Education Background:**

University of Washington, BA

## **Professional Designations and Licenses:**

Certified Financial Planner (CFP)  
Chartered Financial Consultant (ChFC)  
Chartered Life Underwriter

### ***Brian Hill***

***Born 1970***

#### **Business Background:**

Auxano Advisors, LLC  
Portfolio Administrator

2008 – Present

Raymond James Financial Services  
Financial Advisor

1993 – 2008

#### **Education Background:**

Washington State University, BA

### ***Kimberlee J. Rankin***

***Born 1966***

#### **Business Background:**

Auxano Advisors, LLC  
Associate Client Manager

2008 – Present

Tidemark Profiles, Inc.  
Client Manager

2006 – 2008

**Education Background:**

Princeton University, BA

**Professional Designations:**

CFP Candidate, Anticipated completion in 2011

***Andrew Matzen***

***Born 1984***

**Business Background:**

Auxano Advisors  
Associate Investment Analyst

2011 – Present

Laird Norton Tyee  
Investment Performance Analyst

2008 – 2011

**Education Background:**

Seattle Pacific University, BS

**Professional Certifications**

Auxano's Supervised Persons maintain professional designations, which require the following minimum requirements:

**CFA - Chartered Financial Analyst**

**Issued by:** CFA Institute

**Prerequisites/Experience Required:** Candidate must meet one of the following requirements:

- Undergraduate degree and 4 years of professional experience involving investment decision-making, or
- 4 years qualified work experience (full time, but not necessarily investment related)

**Educational Requirements:** Self-study program (250 hours of study for each of the 3 levels)

**Examination Type:** 3 course exams

**Continuing Education/Experience Requirements:** None

## **ChFC - Chartered Financial Consultant**

**Issued by:** The American College

**Prerequisites/Experience Required:** Candidate must meet the following requirements:

- 3 years of full-time business experience within the five years preceding the awarding of the designation

**Educational Requirements:** 6 core and 2 elective courses

**Examination Type:** Final proctored exam for each course

**Continuing Education/Experience Requirements:** 30 CE credits every 2 years

## **CFP® - Certified Financial Planner**

**Issued by:** Certified Financial Planner Board of Standards, Inc. (CFP Board)

**Prerequisites/Experience Required:** Candidate must meet the following requirements:

- A bachelor's degree (or higher) from an accredited college or university, and
- 3 years of full-time personal financial planning experience (or the equivalent, 2,000 hours per year)
- Agree to be bound by the CFP Board's Standards of Professional Conduct, a set of documents outlining the ethical and practice standards for CFP® professionals

**Educational Requirements:** Candidate must complete a CFP-board registered program, or hold one of the following:

- CPA
- ChFC
- Chartered Life Underwriter (CLU)
- CFA
- Ph.D. in business or economics
- Doctor of Business Administration
- Attorney's License

**Examination Type:** CFP Certification Examination

**Continuing Education/Experience Requirements:** Candidate must complete the following ongoing education and ethics requirements:

- 30 hours every 2 years, including 2 hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*
- Renew an agreement to be bound by the Standards of Professional Conduct

## Disciplinary Information

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### Disciplinary Information

Neither Auxano nor any management persons have been involved in any activities resulting in a disciplinary disclosure.

## Other Business Activities

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### Other Business Activities

Disclosure on Outside Business Activities is provided in Form ADV Part 2A Item 10 – Other Financial Industry Activities and Affiliations above. Performance-based Fees and Side-by-Side Management is provided in Form ADV Part 2A Item 6. These activities do not create a material conflict of interest with clients. Neither Auxano nor any supervised persons receive commissions, bonuses or other compensation based on the sale of securities or other investment products.

Peter Cline is a shareholder of Paramount Chemical Inc. He spends less than 2% of his time on this activity.

## **Additional Compensation**

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No Supervised Persons receive any economic benefit outside of regular salaries or bonuses related to amount of sales, client referrals or new accounts.

## Supervision

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### Supervision

Peter Cline supervises all persons named in this Form ADV Part 2 Investment Adviser Brochure Supplement. Peter Cline supervises these persons by holding regular staff, investment and other ad hoc meetings. In addition, Peter Cline, regularly reviews client reports, emails, and trading, as well as employees' personal securities transaction and holdings reports. Peter Cline may be reached at 425.889.1261.