

Avalon Capital Management

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FORM ADV PART 2A BROCHURE

This brochure provides information about the qualifications and business practices of Avalon Capital Management. If you have any questions about the contents of this brochure, contact us at 650-306-1500. 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 Avalon Capital Management is available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for Avalon Capital Management is 107501.

Avalon Capital Management is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Item 2 Summary of Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

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Since our last annual updating amendment, dated March 4, 2025, we have the following material change to report:

The two largest Avalon shareholders, Ross Revenaugh and Clara Basile, have completed an internal sale of a portion of Clara's ownership interest. Ross is now the majority owner of the firm, while Clara remains the second largest shareholder.

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Item 4 Advisory Business

- A. Avalon Capital Management ("Avalon") is an investment adviser registered with the Securities and Exchange Commission, which has been in operation since 1992. Clara J. Basile and Ross Revenaugh make up Avalon's investment management team. All management team members are owners of the business entity, Avalon Capital Management. The two largest Avalon Capital Management shareholders, Ross Revenaugh and Clara Basile, have completed an internal sale of a portion of Clara's ownership interest. Ross is now the majority owner of the firm, while Clara remains the second largest shareholder.
- B. Avalon provides the following types of services:

Investment Management Services

Avalon offers Investment Management Services to its clients involving the active management of portfolios composed of common and preferred stocks, bonds, cash, money market instruments, mutual funds, futures, options, exchange traded funds, and real estate (primarily through REITs), to the extent these are deemed to be appropriate for each client, based upon a review of such client's financial circumstances, as such information is provided by the client.

The Firm's Global Asset Allocation strategies provide clients with a broadly diversified investment portfolio which may offer exposure to a combination of U.S. and international equities (stocks) and fixed income (bonds and shorter-term debt instruments), real estate investment trusts (REITs), commodities, precious metals, multiple currencies, cash-equivalent securities and other investments. Each investment strategy is implemented primarily using exchange-traded products (ETFs and ETNs) and ranges in risk along a targeted risk spectrum. The strategies are dynamic in nature, meaning that the Firm over- and under-weights asset classes based on its view of the greatest opportunities and risks across the global capital markets. We combine research from external providers with our own internal analysis to determine our investment views on which we base our over- and under-weighting decisions.

Investment Management Services are offered on a discretionary basis. For discretionary accounts, the financial decision-making and the implementation of recommendations are solely the responsibility of Avalon.

In addition, Avalon provides a cash management service, as well as a fixed income management service. The portfolios are actively managed using a combination of individual securities, Certificates of Deposits, mutual funds, and exchange-traded products (ETFs and ETNs).

All client assets are held by qualified third-party custodians. Avalon never has actual custody of any client assets.

Minimum Account Size

Generally, Avalon has a minimum account size of \$1,000,000 for new accounts. Avalon may waive, in its sole discretion, the account minimum depending upon a particular client's circumstances.

Client Needs/Restrictions

Avalon and each of its clients determine whether Avalon's services are appropriate for the client, and, if so, what investment management approach would best serve that client. Avalon's determinations are based on information provided by prospective clients and current clients during discussions with one of Avalon's managers. For most clients, if Avalon determines that a relatively lower risk approach is

appropriate, Avalon reduces the percentage exposure to equities and other investments that Avalon believes have relatively higher volatility and risk. (See further discussion of investment risk in Item 8-C, below)

Clients may impose reasonable restrictions on their accounts, such as requesting that Avalon not invest in specific investments, or placing a percentage limitation on the amount that is invested in particular types of investments.

IRA Rollover Recommendations

Effective December 20, 2021 (or such later date as the US Department of Labor ("DOL") Field Assistance Bulletin 2018-02 ceases to be in effect), for purposes of complying with the DOL's Prohibited Transaction Exemption 2020-02 ("PTE 2020-02") where applicable, we are providing the following acknowledgment to you. When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

We benefit financially from the rollover of your assets from a retirement account to an account that we manage or provide investment advice, because the assets increase our assets under management and, in turn, our advisory fees. As a fiduciary, we only recommend a rollover when we believe it is in your best interest.

Assets Under Management

As of December 31, 2024, we provide continuous management services for \$416,794,348 in client assets on a discretionary basis, and \$70,646,905 in client assets on a non-discretionary basis.

Item 5 Fees and Compensation

Investment Management Services

The compensation for Avalon's investment management services is based on a percentage of the market value of assets under management at the end of the preceding calendar quarter. Fee schedules will vary depending on the type of investment management service.

The fee schedule for Avalon's investment management services are as follows:

1.00% of the first \$5,000,000

0.75% of the next \$5,000,000

0.50% of the next \$10,000,000

Fees are negotiable for amounts exceeding \$20,000,000.

The fees for Avalon's cash management investment services are as follows:

0.25% of the first \$25,000,000

Fees are negotiable for amounts exceeding \$25,000,000.

The fee schedule for Avalon's fixed income investment services are as follows:

0.5% for the first \$25,000,000

Fees are negotiable for amounts exceeding \$25,000,000.

Investing in Mutual Funds, ETFs and ETNs

As part of the comprehensive strategy used by Avalon, client assets are sometimes invested in mutual funds, exchange traded funds (ETFs) and exchange traded notes (ETNs). When Avalon invests client assets in these investment products, clients pay their portion of the advisory fees and other expenses charged for these investment products, in addition to the investment management fees charged by Avalon.

How Fees Are Paid:

One-fourth of the annual management fee is payable in advance for each calendar quarter, based on the net asset value of the portfolio on the last day of the prior quarter. Fees are generally charged to the client approximately 1-4 weeks after the start of the quarter.

Most clients (through their investment management contracts and custodian agreements) authorize Avalon to deduct their management fees directly from the corresponding client account.

Contracts for Investment Advisory Services may be terminated by either party by giving written notice of termination to the other party. Avalon will provide 30 days' written notice of termination to its clients. Fees paid in advance will be prorated to the date of termination specified, and any unearned portion will be refunded or credited against amounts due. Fees for services rendered by Avalon and not yet paid, will be billed upon termination of the contract.

Item 6 Performance-Based Fees and Side-By-Side Management

Avalon does not charge performance-based investment advisory fees. In addition, Avalon does not engage in side-by-side management where an investment adviser advises different types of client accounts separately from other investment management accounts.

Item 7 Types of Clients

Avalon's primary client base is composed of individual clients and families, the majority of whom are "high net worth individuals." For some of these clients Avalon manages investments contained in individual or joint accounts, personal trust accounts and partnerships. Avalon also manages retirement accounts for its clients, including IRAs, 401k and Pension and Profit-Sharing accounts. Finally, some clients have investment accounts (that Avalon manages) for their charitable foundations.

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

Avalon Research

Avalon makes investment decisions within the context of a long-term, historical perspective on investments and asset classes. Avalon analyzes the sequential relationships that exist among interest rates, bonds, stocks, currencies, commodities and business activity. Avalon monitors these relationships using computer-intensive techniques that enable Avalon to isolate opportunities for inclusion in a portfolio given the market environment and the client's goals and risk tolerance.

Avalon also subscribes to a number of other research sources, in order to supplement its core research.

Avalon's approach to investment management combines quantitative analysis with practical experience and judgment. Quantitative analysis plays an important role in our proprietary research methods, but any quantitative output is always further analyzed or confirmed by our investment committee before any investment decisions are undertaken.

At the asset class level, Avalon analyzes the relationships that exist among interest rates, asset prices, and business activity to identify asset classes it believes to offer the most attractive reward relative to risk.

Our investment universe is broad and includes a wide variety of asset classes including equities, fixed income, real assets, commodities, gold and cash, as well as multiple currencies.

In order to supplement our core proprietary research, Avalon subscribes to a number of other research sources.

Avalon's Portfolio Design and Management

In managing client portfolios, Avalon primarily uses a six-asset class investment approach utilizing REITs, U.S. Stocks, International Stocks, Bonds, Natural Resource securities, and money market instruments. By using a broadly diversified approach, Avalon looks to achieve investment returns without taking undue risk. Avalon's investment approach is active, meaning that Avalon uses its research to emphasize investments that it believes offer better return opportunities, and reduce exposure to investment areas that Avalon believes are likely to underperform.

Risk of Loss

Investing in securities always has a risk of loss, which clients should consider given their financial and other circumstances. Diversification does not ensure a profit or eliminate the risks of investing. Clients could lose money when investing with Avalon. An active management strategy may underperform other investment approaches, incur higher transaction costs and may result in higher income taxes.

Avalon invests in both domestic and international stocks and bonds, and makes use of individual securities, mutual funds, exchange traded funds (ETFs), exchange traded notes (ETNs), options, and real estate investment trusts (REITs). Some of these investments are leveraged. The list of assets classes is not intended to exclude the use of additional investment vehicles. All of these investment vehicles are subject to price fluctuations and investment risk. Among those risks are the following:

Issuer Risk: Investments may decline in value because of changes in the financial condition of, or other events affecting the issuers of the securities.

Management Risk: Avalon and/or the investment managers of the mutual funds, ETFs, ETNs and REITs may make investment purchases and sales that result in underperformance and investment losses.

Equity Risk: Equity securities generally have greater price volatility than fixed income investments.

Market Risk: Any investment may decline due to general or specific market conditions.

Non-U.S. Investment Risk: foreign investments may decline due to conditions unique to particular countries and regions and are also subject to risk of loss due to changes in the value of their currencies.

Leverage Risk: Certain exchange traded funds (ETFs) are designed to achieve investment results that correspond to twice (200%) or three times (300%) the daily performance of their benchmarks and are therefore riskier than non-leveraged ETFs. These investments make use of derivatives, including swap agreements and futures contracts, and can have dramatic changes (losses or gains) in value.

Pandemic Risk – Large-scale outbreaks of infectious disease that can greatly increase morbidity and mortality over a wide geographic area, crossing international boundaries, and causing significant economic, social, and political disruption.

Cash Management - Cash balances are managed based on the yield and the financial soundness of the money markets and other short-term instruments. A money market fund is technically a security. The fund managers attempt to keep the share price constant at \$1/share, however, there is no guarantee that the share price will stay consistent. If the share price goes down, some or all of the principal can be lost. The U.S. Securities and Exchange Commission ("SEC") notes that "While investor losses in money market funds have been rare, they are possible." In return for this risk, the expected return on cash should be greater than a Federal Deposit Insurance Corporation ("FDIC") insured savings account (money market funds are not FDIC insured). In addition, money market fund rates are variable. The rate can go up, resulting in a positive outcome. However, if the rate goes down, earning less than expected, cash requirements may increase as a result. A final risk to consider with money market funds has to do with inflation. Because money market funds are considered to be safer than other investments like stocks, long-term average returns on money market funds tend to be less than long term average returns on riskier investments. Over long periods of time, inflation can diminish returns.

Bonds - Corporate debt securities (or "bonds") are typically safer investments than equity securities, but their risk can also vary widely based on: the financial health of the issuer; the risk that the issuer might default; when the bond is set to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same rate of return.

Stocks - There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and the overall health of the economy. In general, larger, better-established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") are but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

Mutual Funds and Exchange Traded Funds - Mutual funds and exchange traded funds ("ETF") are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to managing the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely whereas "closed end" funds have a fixed number of shares to sell which can limit their availability to new investors.

ETFs may have tracking error risks. For example, the ETF investment adviser may not be able to cause the ETF's performance to match that of its Underlying Index or other benchmark, which may negatively affect the ETF's performance. In addition, for leveraged and inverse ETFs that seek to track the performance of their Underlying Indices or benchmarks on a daily basis, mathematical compounding may prevent the ETF from correlating with performance of its benchmark. In addition, an ETF may not have investment exposure to all of the securities included in its Underlying Index, or its weighting of investment exposure to such securities may vary from that of the Underlying Index. Some ETFs may invest in securities or financial instruments that are not included in the Underlying Index, but which are expected to yield similar performance.

Leverage Exchange Traded Funds - Leveraged Exchange Traded Funds ("Leveraged ETFs" or "L-ETF") seeks investment results for a single day only, not for longer periods. A "single day" is measured from the time the L-ETF calculates its net asset value ("NAV") to the time of the L-ETF's next NAV calculation. The return of the L-ETF for periods longer than a single day will be the result of each day's returns compounded over the period, which will very likely differ from multiplying the return by the stated leverage for that period. For periods longer than a single day, the L-ETF will lose money when the level of the Index is flat, and it is possible that the L-ETF will lose money even if the level of the Index rises. Longer holding periods, higher index volatility and greater leverage both exacerbate the impact of compounding on an investor's returns. During periods of higher Index volatility, the volatility of the Index may affect the L-ETF's return as much as or more than the return of the Index. Leveraged ETFs are different from most exchange-traded funds in that they seek leveraged returns relative to the applicable index and only on a daily basis. The L-ETF also is riskier than similarly benchmarked exchange-traded funds that do not use leverage. Accordingly, the L-ETF may not be suitable for all investors and should be used only by knowledgeable investors who understand the potential consequences of seeking daily leveraged investment results.

Real Estate Investment Trusts - A real estate investment trust ("REIT") is a corporate entity which invests in real estate and/or engages in real estate financing. A REIT reduces or eliminates corporate income taxes. REITs can be publicly or privately held. Public REITs may be listed on public stock exchanges. REITs are required to declare 90% of their taxable income as dividends, but they actually pay dividends out of funds from operations, so cash flow has to be strong or the REIT must either dip into reserves, borrow to pay dividends, or distribute them in stock (which causes dilution). After 2012, the IRS stopped permitting stock dividends. Most REITs must refinance or erase large balloon debts periodically. The credit markets are no longer frozen, but banks are demanding, and getting, harsher terms to re-extend REIT debt. Some REITs may be forced to make secondary stock offerings to repay debt, which will lead to additional dilution of the stockholders. Fluctuations in the real estate market can affect the REIT's value and dividends.

Options - Options are complex securities that involve risks and are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss. It is generally recommended that you only invest in options with risk capital. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date (the "expiration date"). The two types of options are calls and puts:

A call gives the holder the right to buy an asset at a certain price within a specific period of time. Calls are similar to having a long position on a stock. Buyers of calls hope that the stock will increase substantially before the option expires.

A put gives the holder the right to sell an asset at a certain price within a specific period of time. Puts are very similar to having a short position on a stock. Buyers of puts hope that the price of the stock will fall before the option expires.

Selling options is more complicated and can be even riskier.

Item 9 Disciplinary Information

There are no adverse events affecting Avalon that would be material to a client's decision to use Avalon's investment advisory services.

- A. There have been no criminal or civil actions in a domestic, foreign or military court of competent jurisdiction involving either Avalon or any member of its management team.
- B. There have been no administrative proceedings before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority involving either Avalon or any member of its management team.
- C. There have been no self-regulatory organization (SRO) proceedings involving either Avalon or any member of its management team.

Item 10 Other Financial Industry Activities and Affiliations

- A. Neither Avalon nor its management persons are registered or have a pending registration as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither Avalon nor its management persons are registered or have a pending registration as a futures commission merchant, commodity pool operator, a commodity trading adviser, or as an associated person of the foregoing list.
- C. Neither Avalon nor its management persons have relationships with other entities in the financial services industry that materially affects Avalon's advisory business or its clients.
- D. Avalon does not recommend or select other investment advisers.

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

- A. Avalon has a Code of Ethics that sets forth its personal security transaction policies, which includes the submission and review of personal brokerage statements and prohibits trading on insider information. Copies of the Avalon Code of Ethics are available free of charge upon request.
- B. Neither Avalon nor a person related to Avalon recommends a security in which Avalon or investment persons related to Avalon have a material financial interest.
- C. Avalon, as well as employees of Avalon, may from time to time buy or sell securities recommended for clients. Avalon and its employees do not buy (or sell) securities from any client accounts for either their own accounts or for the accounts of other clients. In all transactions, Avalon and employees will place client's interests above their own.
- D. Avalon and its employees may buy or sell securities at or near the same time that Avalon places transactions in the securities for client accounts. To avoid a conflict of interest, transactions for personal accounts are either blocked together with client transactions, or are not permitted until all client transactions in the securities have been made.

Avalon does not permit its personnel to place transactions that are opposite of transactions for client accounts. There are exceptions in extenuating circumstances. For example, a person related to Avalon may need to liquidate his/her account, including a security held in client accounts, while Avalon is still acquiring the security for client accounts. These types of transactions require pre-approval by Avalon's Chief Compliance Officer or another designated management person.

Item 12 Brokerage Practices

Description of Factors in Selecting/Recommending Broker-Dealers

Avalon has discretion to determine which broker-dealers it uses for client transactions, and to determine the amount of commissions and other transaction costs paid by client accounts. The following disclosures describe how Avalon uses its discretionary brokerage authority when placing transactions for client accounts. Certain individual clients may have different guidelines or restrictions for their accounts.

Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. We request that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we request that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account.

When selecting broker-dealers for client account transactions, Avalon considers a number of factors. While the transaction costs associated with client transactions are always an important consideration, there are a myriad of other considerations, which when taken together, are as important as the cost of transactions. The table provides an idea of the factors Avalon considers when selecting broker-dealers:

SELECTION OF BROKER-DEALERS: FACTORS CONSIDERED

- Net price
- Transaction cost
- Timeliness of execution
- Liquidity of the securities traded
- Ability to place trades in difficult market environments
- Expertise as it relates to specific securities
- Research services provided
- Execution facilitation services provided
- Custody services provided
- Financial strength and stability
- Willingness to execute related or unrelated difficult transactions in the future.
- Ability to maintain the confidentiality of trading intentions
- Timeliness and accuracy of trade confirmations
- Willingness to commit capital
- Ability to access a variety of market venues
- Block Trading and block positioning capabilities
- Ability to provide investment ideas
- Recordkeeping services provided
- Frequency and correction of trading errors
- Business reputation

As an investment adviser, Avalon is a fiduciary with respect to its clients. As a fiduciary, Avalon has a duty to act in the best interest of its clients. When selecting broker-dealers for client transactions, Avalon has a duty to obtain the most favorable available execution. In certain circumstances, the most favorable execution may not necessarily have the lowest transaction cost. For example, discount broker-dealers may charge lower transaction fees, but they may be lacking in other factors needed to provide the most favorable execution for client accounts. Avalon believes that it has a duty to consider the full range of factors that result in execution that is more favorable.

Avalon primarily uses Charles Schwab & Co. ("Schwab") for brokerage and custodial services for its client accounts through the Schwab Advisor Services division. In selecting Schwab, Avalon is able to provide its clients with the range of services (as shown above), which taken together provide the most favorable execution in view of Avalon's overall responsibilities for its client accounts. It is Avalon's good faith belief that when using Schwab as the primary broker-dealer for its client accounts, Avalon is meeting its fiduciary duty with respect to its clients.

For Avalon's client accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts. When Avalon trades away from Schwab, clients pay a \$20 "trade away" fee to Schwab, in addition to any transaction fees charged by the broker-dealer with whom the trade is placed. Such fees may include commissions, markups or markdowns on over-the-counter trades, or, some cases, minimum ticket charges.

Products and services available to us from Schwab

Schwab Advisor Services is Schwab's business serving independent investment advisory firms like Avalon. They provide us and our clients with access to their institutional brokerage services (trading, custody, reporting and related services), many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those

services help us manage or administer our client accounts while others help us manage and grow our business. Schwab's support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us.

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

Services that may not directly benefit you. Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that services (trading, custody, reporting and related services), many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our client accounts while others help us manage and grow our business. Schwab's support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us.

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

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

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

Services that generally benefit only us. Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

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

BROKERAGE AND RESEARCH SERVICES RECEIVED

Online access to a global database covering 81 different countries and 85 capital markets including equities, derivative products, market indices with sector and group indices, business cycles and economic data, rates, bonds, commodities, currencies and some real estate.

The price data supported by exceptionally long-term price histories dating back 100+ years on a daily, weekly, monthly, quarterly or annual basis.

Screening processes determine cyclic junctures (entry and exit points, tops and bottoms) and point-of-cycle development for all series on an absolute and/or relative basis by group, industry or country.

The database contains approximately 80,000+ series with up to 2,500 time points each for the daily, weekly, monthly, quarterly and annual entries.

In-depth global investment research covering all of the major asset classes and geographical regions; leading-edge analysis and forecasts of the major financial markets, with clear; and focused recommendations for investment strategy backed by time-tested proprietary indicators.

Insight into the dynamic market conditions that shape the global economy. Investment recommendations and trading ideas to help in taking advantage of developing market conditions.

In-depth analysis that is supported by time- tested proprietary indicators that bring important discipline to the forecasting process and asset allocation strategy.

Compliance Expertise - unbiased reports on various third-party research products and services as well as industry trends.

Global market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets.

An independent research source that provides Avalon access to wide-ranging analysis of U.S. and global markets, investment trends, economic systems, and innovative insights into U. S. and international economic systems

Brokerage for Client Referrals

Avalon does not have a client referral arrangement with any broker-dealer used for client account transactions.

Directed Brokerage

Clients may direct Avalon to use broker-dealers for custodial services and account transactions. When clients do so, they will not receive the benefits that Avalon has arranged with Schwab (see description above). Clients will not participate in aggregate trades through which clients may receive better prices and transaction costs.

Aggregating Client Transactions

If Avalon believes that the purchase or sale of a security is in the best interest of more than one client, and it is consistent with Avalon's duty to obtain the most favorable available execution for all clients, Avalon may (but is not obligated to) aggregate the securities to be sold or purchased Where trades are

aggregated, the transactions, as well as the expenses incurred in the transactions, will be allocated by Avalon according to a policy designed to ensure that such allocation is equitable (no advisory client will be favored over any other client) and consistent with Avalon's fiduciary duty to its clients (including Avalon's duty to obtain the most favorable available execution of client trades). Pursuant to this policy, each client that participates in an aggregated order will participate at the average share price for that aggregated order and with transaction costs based on each client's commission rate at Charles Schwab or other custodian or broker.

Item 13 Review of Accounts

Account Reviews

Ross Revenaugh, Avalon's Chief Compliance Officer, will monitor accounts on an ongoing basis and will conduct account reviews at least quarterly, to ensure the advisory services provided are consistent with client investment needs and objectives. In addition, accounts will be reviewed as necessary by one or more of the Investment Personnel, depending on general conditions in the financial markets.

Account Reports

Each client receives at least quarterly statements from the custodian(s) for the client's account(s). Most custodians provide monthly reports. The custodian statements represent the official account reports. The custodian statements also include information on the amounts deducted from client accounts for Avalon's advisory fees.

In addition, each investment management client normally receives quarterly investment reports detailing performance, and holdings information. Meetings with clients are typically held once per year, although more frequent meetings can be held if desired. Meetings may be supplemented by telephone updates, e-mail updates, web site updates, special meetings, or reports to communicate significant strategy changes.

Item 14 Client Referrals and Other Compensation

Avalon has no arrangements in which it pays for client referrals. Avalon does not receive other compensation associated with its clients' accounts, in addition to its advisory fees.

Item 15 Custody

Avalon does not have custody of client assets. Client assets are held by qualified custodians.

However, with your consent, we may be provided with the authority to seek deduction of our fees from your accounts; this process generally is more efficient for both you and us, and there may be tax benefits for you to this method when fees can be paid from certain tax-deferred accounts of clients.

We are providing investment management for some clients with accounts that are not custodied at Charles Schwab or Great West. To the extent that we have client access codes for these other accounts, so that we can log into and implement portfolio changes to certain client accounts, we are deemed to have custody of those accounts. Therefore, Frank Rimerman, LLP (a PCAOB registered firm) performs an annual surprise audit of those accounts.

Standing Letter of Authorization

Our firm, or persons associated with our firm, may effect transfers from client accounts to one or more third parties designated, in writing, by the client without obtaining written client consent for each separate, individual transaction, as long as the client has provided us with written authorization to do so. Such written authorization is known as a Standing Letter of Authorization. An adviser with authority to conduct such third party transfers on a client's behalf has access to the client's assets, and therefore has custody of the client's assets in any related accounts.

However, we do not have to obtain a surprise annual audit of these assets, as we otherwise would be required to by reason of having custody, as long as we meet the following criteria:

1. You provide a written, signed instruction to the qualified custodian that includes the third party's name and address or account number at a custodian;
2. You authorize us in writing to direct transfers to the third party either on a specified schedule or from time to time;
3. Your qualified custodian verifies your authorization (e.g., signature review) and provides a transfer of funds notice to you promptly after each transfer;
4. You can terminate or change the instruction;
5. We have no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party;
6. We maintain records showing that the third party is not a related party to us nor located at the same address as us; and
7. Your qualified custodian sends you, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

We hereby confirm that we meet the above criteria.

Item 16 Investment Discretion

We accept limited forms of discretion over your accounts, as follows, with your consent. Your grant of discretion is evidenced in the client services agreement (or addendums thereto) signed by you, and is further evidenced to the custodians through a limited power of attorney contained in the account establishment form signed by you or a separate limited power of attorney document signed by you. Nearly all clients appoint us as the client's agent and attorney-in-fact with respect to undertaking trades in client accounts; our ability to enter trades electronically for you often provides reduced transaction fees and other benefits to the client.

You approve the custodian to be used and the commission rates paid to the custodian. We do not receive any portion of the transaction fees or commissions paid by you to the custodian.

Item 17 Voting Client Securities

As a matter of firm policy and practice, we do not accept authority to vote proxies on your behalf. You retain the option of receiving and voting proxies for any and all securities maintained in your portfolios. Generally, you can receive their proxies or other solicitations directly from the custodian or transfer agent. However, you may call or e-mail us with questions regarding a particular proxy or other solicitation, and we may provide advice to you regarding your voting of proxies or such solicitations, upon your request.

Item 18 Financial Information

- A. Avalon does not require or solicit payment of more than \$1,200 in fees per client, six months or more in advance.
- B. Avalon has no financial condition that is reasonably likely to impair Avalon's ability to meet contractual commitments to its clients.
- C. Avalon has not been subject to a bankruptcy petition.

Additional Information

Continuity Plan

General

We have 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 manmade disasters. Electronic files are backed up daily and archived offsite.

Alternate Offices

An alternate office has been identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact you within five days of a disaster that dictates moving our office to an alternate location.

Information Security Program

We maintain an information security program to reduce the risk that your personal and confidential information may be breached.

Privacy Notice

We are 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 maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

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, the information will 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 Policy to you annually, in writing.

Item 19 Requirements for State-Registered Advisers

We are a federally registered investment adviser; therefore, we are not required to respond to this item.