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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: March 31, 2016  
Estimated average burden  
hours per response..... 12.00

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

SEC FILE NUMBER  
8-69066

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/13 AND ENDING 12/31/13  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Avalon Wealth Management, LLC

OFFICIAL USE ONLY  
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

2929 Allen Parkway, Suite 3000

(No. and Street)

Houston  
(City)

Texas  
(State)

77019  
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Melton & Melton, LLP

(Name - if individual, state last, first, middle name)

6002 Rogerdale, Suite 200  
(Address)

Houston  
(City)

Texas  
(State)

77072  
(Zip Code)

CHECK ONE:

Certified Public Accountant

Public Accountant

Accountant not resident in United States or any of its possessions.

SEC  
Mail Processing  
Section

MAR 04 2014

FOR OFFICIAL USE ONLY Washington, DC  
124

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

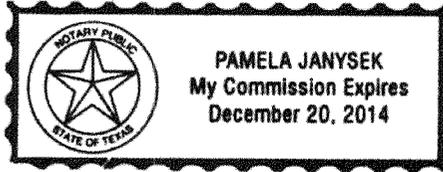
Handwritten signature and date 3/20/14

OATH OR AFFIRMATION

I, David Jesulaitis, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Avalon Advisors, LLC, as of February 26, 20 14, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

David Jesulaitis  
Signature  
CEO / FROOP - AWM  
Title

Pamela Janyssek  
Notary Public



This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

AVALON WEALTH MANAGEMENT LLC

FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES  
FOR THE  
YEAR ENDED DECEMBER 31, 2013  
AND INDEPENDENT AUDITOR'S REPORT

SEC  
Mail Processing  
Section

MAR 04 2014

Washington, DC  
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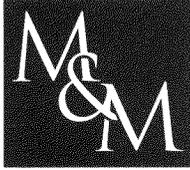


MELTON & MELTON, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

**AVALON WEALTH MANAGEMENT LLC**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Independent Auditor's Report	1
Statement of Financial Condition	2
Statement of Income	3
Statement of Changes in Member's Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6
Supplementary Information:	
Independent Auditor's Report on Supplementary Information	9
Schedule I – Computation of Net Capital under Rule 15c3-1 of the Securities and Exchange Commission	10
Schedule II – Computation for Determination of Reserve Requirements under Rule 15c3-3 of the Securities and Exchange Commission	11
Schedule III – Information for Possession or Control Requirements under Rule 15c3-3 of the Securities and Exchange Commission	12



**MELTON & MELTON, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

To the Member of  
**Avalon Wealth Management LLC**

**Report on the Financial Statements**

We have audited the accompanying financial statements of Avalon Wealth Management LLC (a Delaware limited liability company) (the "Company"), which comprise the statement of financial condition as of December 31, 2013, and the related statements of income, changes in member's equity, and cash flows for the year then ended that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Avalon Wealth Management LLC as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Houston, Texas  
February 26, 2014

**AVALON WEALTH MANAGEMENT LLC**  
**STATEMENT OF FINANCIAL CONDITION**  
**December 31, 2013**

**ASSETS**

Cash and cash equivalents	\$ 322,900
Accounts receivable	<u>1,316,565</u>
Total assets	<u><b>\$ 1,639,465</b></u>

**LIABILITIES AND MEMBER'S EQUITY**

**Liabilities:**

Accounts payable - related party	\$ 228,356
Total liabilities	228,356

**Commitments and Contingencies**

Member's Equity	<u>1,411,109</u>
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Total liabilities and member's equity	<u><b>\$ 1,639,465</b></u>
---------------------------------------	----------------------------

(See Notes to Financial Statements)

**AVALON WEALTH MANAGEMENT LLC**  
**STATEMENT OF INCOME**  
**For the Year Ended December 31, 2013**

**Revenues:**

Commission fee income	<u>\$ 2,864,705</u>
-----------------------	---------------------

**Expenses:**

Employee compensation and benefits	500,249
Regulatory fees	80,769
General and administrative expenses	<u>156,604</u>
Net expenses	<u>737,622</u>

Net income	<u>\$ 2,127,083</u>
------------	---------------------

(See Notes to Financial Statements)

AVALON WEALTH MANAGEMENT LLC  
STATEMENT OF CHANGES IN MEMBERS' EQUITY  
For the Year Ended December 31, 2013

Balance, beginning of year	\$ 665,500
Distributions	(1,381,474)
Net income	<u>2,127,083</u>
Balance, end of year	<u>\$ 1,411,109</u>

(See Notes to Financial Statements)

**AVALON WEALTH MANAGEMENT LLC**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2013**

<b>Cash Flows from Operating Activities:</b>	
Net income	\$ <u>2,127,083</u>
Adjustments to reconcile net income to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Accounts receivable	(1,316,565)
Accounts payable - related party	<u>212,856</u>
Total adjustments	<u>(1,103,709)</u>
Net cash provided by operating activities	<u>1,023,374</u>
 <b>Cash Flows from Financing Activities:</b>	
Distributions	<u>(1,381,474)</u>
Net cash used in financing activities	<u>(1,381,474)</u>
 Net decrease in cash and cash equivalents	(358,100)
 <b>Cash and Cash Equivalents, beginning of year</b>	<u>681,000</u>
 <b>Cash and Cash Equivalents, end of year</b>	<u><u>\$ 322,900</u></u>

(See Notes to Financial Statements)

**AVALON WEALTH MANAGEMENT LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 1 - DESCRIPTION OF THE COMPANY**

**Nature of Operations**

Avalon Wealth Management LLC (the "Company") is a Delaware limited liability company formed on February 8, 2012, as a limited purpose noncarrying broker-dealer. The Company completed its registration with the Securities Exchange Commission ("SEC") and Financial Industry Regulatory Authority ("FINRA") on January 14, 2013. Avalon Advisors, LLC ("AA") is the sole member of the Company. The Company is engaged in private placements of investment funds. While it did not do so in 2013, the Company is also approved to serve as principal underwriter and distributor of unlisted, continuously offered, closed-end registered investment companies ("Closed-End Funds"). The Company does not hold or maintain funds or securities or provide clearing services for other broker-dealers.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

**Commission Revenue**

Commission revenue includes fee income, which is generally based on the value of the assets under management held by the fund sponsor. Fee revenue is calculated on a monthly or quarterly basis based on the beginning balance of all funds held during the month or quarter. These fees are recognized over the period during which the assets were held. Commission revenue also includes other fee income as noted in the placement fee agreements. These fees are computed in accordance with the underlying sponsors' placement fee agreements.

**Cash and Cash Equivalents**

The Company considers cash and cash equivalents to include all time deposits, certificates of deposit, and all highly liquid investments with original maturities of three months or less.

**Accounts Receivable**

Receivables for fees are shown net of allowances and are written off when they are determined to be uncollectible. An allowance for doubtful accounts is estimated through an analysis of the aging of receivables, assessments of collectibility based on historical trends and other qualitative and quantitative factors, including the Company's relationship with the fund sponsor, the financial health of the fund sponsor, current economic conditions, and whether the account is closed or active. No allowance was considered necessary by management at December 31, 2013.

**Income Taxes**

The Company's taxable earnings are included in the federal income tax return of AA; therefore, any taxable earnings are passed through to AA's members and taxed depending on their individual tax situations. Accordingly, there is no provision for federal income taxes in the accompanying financial statements. The State of Texas has a gross margin tax that applies to the Company and is included in the consolidated state return filed by AA. State income taxes are calculated as if the companies filed on a separate return basis, and the amount of current tax is remitted to AA.

**AVALON WEALTH MANAGEMENT LLC**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2013**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Management evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements. The Company is subject to income tax examinations by the U.S. federal or state tax authorities for the 2012 and 2013 tax years. The Company reports tax-related interest and penalties in the provision for state income taxes. There were no tax-related interest and penalties in 2013.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

**NOTE 3 - COMMITMENTS AND CONTINGENCIES**

**Credit Risks**

At December 31, 2013, and at various times throughout the year, the Company maintained cash balances in a financial institution in excess of federally insured limits.

**Concentration Risks**

The Company is engaged in various trading and brokerage activities in which counterparties primarily include fund sponsors, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

At December 31, 2013, one fund sponsor represented 99% of the Company's accounts receivable balance and provided 84% of all concession fee revenue during 2013. Management believes the Company's relationship with the fund sponsor is satisfactory.

**NOTE 4 - RELATED PARTY TRANSACTIONS**

During 2013, the Company incurred \$656,583 in expenses related to an expense sharing agreement the Company has with AA to provide personnel and administrative services on behalf of the Company. At December 31, 2013, the Company had a \$228,356 payable to AA for these services, which is included in accounts payable - related party in the statement of financial condition.

During 2013, the Company received \$416,042 in commission fee income from a fund sponsor that is provided advisory services by AA.

**AVALON WEALTH MANAGEMENT LLC**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2013**

**NOTE 5 - NET CAPITAL REQUIREMENTS**

The Company is subject to the SEC Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 8 to 1 for 12 months after commencing business (and the rule of the “applicable” exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2013, the Company had net capital of \$94,544, which was \$79,320 in excess of its required net capital of \$15,224. The Company’s net capital ratio was 2.42 to 1.

**NOTE 6 - SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through February 26, 2014, the date the financial statements were available to be issued.



MELTON & MELTON, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Member of  
**Avalon Wealth Management LLC**

We have audited the financial statements of Avalon Wealth Management LLC as of and for the year ended December 31, 2013, and our report thereon dated February 26, 2014, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information contained in Schedules I, II and III is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information in Schedules I, II and III has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in Schedules I, II and III is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Melton &amp; Melton LLP".

Houston, Texas  
February 26, 2014

**SCHEDULE I**

**AVALON WEALTH MANAGEMENT LLC**  
**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1**  
**OF THE SECURITIES AND EXCHANGE COMMISSION**  
**As of December 31, 2013**

**Computation of Net Capital:**

Total ownership equity from Statement of Financial Condition	\$ 1,411,109
Deductions and/or charges:	
Receivables from non-customers	<u>\$ 1,316,565</u>
Total non-allowable assets from Statement of Financial Condition:	<u>1,316,565</u>
Net Capital	<u>\$ 94,544</u>

**Computation of Basic Net Capital Requirement:**

Minimum net capital required:	\$ 15,224
[1] Minimum dollar net capital requirement of reporting broker or dealer	\$ 5,000
Net capital requirement	\$ 15,224
Excess net capital	\$ 79,320
Net capital less greater of 10% of [2] or 120% of [1]	\$ 71,708

**Computation of Aggregate Indebtedness:**

Payable to non-customers	<u>\$ 228,356</u>
Total A.I. liabilities from Statement of Financial Condition:	<u>228,356</u>
[2] Total aggregate indebtedness	<u>\$ 228,356</u>
Percentage of aggregate indebtedness to net capital	241.54%
Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	0.00%

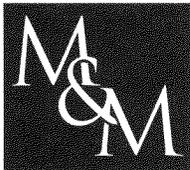
There are no material differences between the preceding computation and the Company's corresponding unaudited Part IIA of Form X-17A-5 as of December 31, 2013.

AVALON WEALTH MANAGEMENT LLC  
COMPUTATION FOR DETERMINATION  
OF RESERVE REQUIREMENTS UNDER RULE 15c3-3  
OF THE SECURITIES AND EXCHANGE COMMISSION  
As of December 31, 2013

Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, it is exempt from the provisions of Rule 15c3-3.

AVALON WEALTH MANAGEMENT LLC  
INFORMATION FOR POSSESSION OR CONTROL  
REQUIREMENTS UNDER RULE 15c3-3  
OF THE SECURITIES AND EXCHANGE COMMISSION  
As of December 31, 2013

Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, it is exempt from the provisions of Rule 15c3-3.



**MELTON & MELTON, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT ACCOUNTANT'S AGREED-UPON PROCEDURES REPORT  
ON SCHEDULE OF ASSESSMENT AND PAYMENTS (FORM SIPC-7)**

To the Member of  
**Avalon Wealth Management LLC**

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments (Form SIPC-7) to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2013, which were agreed to by Avalon Wealth Management LLC, and the Securities and Exchange Commission, the Financial Industry Regulatory Authority Inc., and the SIPC, solely to assist you and the other specified parties in evaluating Avalon Wealth Management LLC's compliance with the applicable instructions of Form SIPC-7. Avalon Wealth Management LLC's management is responsible for Avalon Wealth Management LLC's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

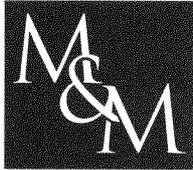
- 1) Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries for Avalon Wealth Management LLC noting no differences;
- 2) Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2013, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2013, noting total revenue was \$1,304 higher on the audited Form X-17A-5 than the total revenue reported in Form SIPC-7;
- 3) Noted no adjustments reported in Form SIPC-7;
- 4) Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 noting the amount reported on line 2d. SIPC Net Operating Revenues should be \$2,863,401 instead of \$2,683,401. The general assessment on line 2e. was calculated on the correct amount therefore no change to line 2e. is necessary as result of the difference on line 2d.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*Melton & Melton LLP*

Houston, Texas  
February 26, 2014



**MELTON & MELTON, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL UNDER SEC  
RULE 17A-5(g)(1)**

To the Member of  
**Avalon Wealth Management LLC**

In planning and performing our audit of the financial statements of Avalon Wealth Management LLC as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered Avalon Wealth Management LLC's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Avalon Wealth Managements LLC's internal control. Accordingly, we do not express an opinion on the effectiveness of Avalon Wealth Management LLC's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by Avalon Wealth Management LLC including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because Avalon Wealth Management LLC does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

- 1) Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13.
- 2) Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of Avalon Wealth Management LLC is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's previously mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined previously. However, we identified certain deficiencies in internal control that we consider to be significant deficiencies as defined above, and communicated them in writing to management and the Member on February 26, 2014.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that Avalon Wealth Management LLC's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2013, to meet the SEC's objectives.

This report is intended solely for the information and use of the Member, management, the SEC, the Financial Industry Regulatory Authority (FINRA), and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Melton & Melton LLP*

Houston, Texas  
February 26, 2014

SIPC-7

(93-REV 7/10)

SECURITIES INVESTOR PROTECTION CORPORATION  
P.O. Box 92185 Washington, D.C. 20090-2185  
202-371-8300

General Assessment Reconciliation

SIPC-7

(93-REV 7/10)

For the fiscal year ended 12/31/2013

(Read carefully the instructions in your Working Copy before completing this Form)

TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

069066 FINRA DEC  
AVALON WEALTH MANAGEMENT LLC 17\*17  
2929 ALLEN PKWY STE 3000  
HOUSTON TX 77019-7100

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

David J. Jesulaitis (713) 238-2090

2. A. General Assessment (Item 2e from page 2)	\$ 7158.50
B. Less payment made with SIPC-6 filed (exclude interest)	1476.39
<u>07/30/2013</u> Date Paid	
C. Less prior overpayment applied	0
D. Assessment balance due or (overpayment)	5,682.11
E. Interest computed on late payment (see instruction E) for _____ days at 20% per annum	0
F. Total assessment balance and interest due (or overpayment carried forward)	\$ 5,682.11
G. PAID WITH THIS FORM: Check enclosed, payable to SIPC Total (must be same as F above)	\$ 5,682.11
H. Overpayment carried forward	\$ 0

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

N/A

N/A

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

Avalon Wealth Management LLC

(Name of Corporation, Partnership or other organization)

(Authorized Signature)

Dated the 18 day of February, 20 14

Chief Financial Officer, FINOP

(Title)

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

SIPC REVIEWER

Dates: Postmarked \_\_\_\_\_ Received \_\_\_\_\_ Reviewed \_\_\_\_\_

Calculations \_\_\_\_\_ Documentation \_\_\_\_\_

Forward Copy \_\_\_\_\_

Exceptions:

Disposition of exceptions:

**DETERMINATION OF "SIPC NET OPERATING REVENUES"  
AND GENERAL ASSESSMENT**

Amounts for the fiscal period  
beginning 1/1/2013  
and ending 12/31/2013

Item No.	Eliminate cents
2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)	<u>\$ 2,863,401</u>
2b. Additions:	
(1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.	<u>0</u>
(2) Net loss from principal transactions in securities in trading accounts.	<u>0</u>
(3) Net loss from principal transactions in commodities in trading accounts.	<u>0</u>
(4) Interest and dividend expense deducted in determining item 2a.	<u>0</u>
(5) Net loss from management of or participation in the underwriting or distribution of securities.	<u>0</u>
(6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.	<u>0</u>
(7) Net loss from securities in investment accounts.	<u>0</u>
Total additions	<u>0</u>
2c. Deductions:	
(1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.	<u>0</u>
(2) Revenues from commodity transactions.	<u>0</u>
(3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.	<u>0</u>
(4) Reimbursements for postage in connection with proxy solicitation.	<u>0</u>
(5) Net gain from securities in investment accounts.	<u>0</u>
(6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.	<u>0</u>
(7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).	<u>0</u>
(8) Other revenue not related either directly or indirectly to the securities business. (See Instruction C):	<u>0</u>
N/A	<u>0</u>
(Deductions in excess of \$100,000 require documentation)	
(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.	<u>\$ 0</u>
(ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960).	<u>\$ 0</u>
Enter the greater of line (i) or (ii)	<u>0</u>
Total deductions	<u>0</u>
2d. SIPC Net Operating Revenues	<u>\$ 2,683,401</u>
2e. General Assessment @ .0025	<u>\$ 7,158.50</u>

(to page 1, line 2.A.)