

Firm Brochure
(Part 2A of SEC Form ADV)

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This firm brochure provides information about the qualifications and business practices of OAM Avatar, LLC ("Avatar"). If you have any questions about the contents of this firm brochure, please contact us at: 212-624-1900, or by email at: dcarlson@avatar-associates.com. The information in this firm brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC"), or by any state securities authority.

Additional information about Avatar is available on the SEC's website at www.adviserinfo.sec.gov

March 31, 2011

Material Changes

Material Changes since the last update on March 31, 2010.

The U.S. Securities and Exchange Commission issued a final rule in July 2010 (Final Rule) requiring changes to Part II of SEC Form ADV. The Final Rule specifies that a new document be prepared according to the requirements of the Final Rule. This document, therefore, is materially different in structure and requires certain information not included in our prior Form ADV Part II. This new document is now known as Form ADV Part 2 and includes Part 2A, the Firm Brochure, and Part 2B, the Brochure Supplement.

In the past we have offered or delivered information about our qualifications and business practices to clients at least annually. Pursuant to the Final Rule, we will ensure that you receive a summary of any material changes to this document and subsequent brochures within 120 days of the close of our fiscal year end. We may provide other ongoing disclosure information about material changes as necessary.

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

Our brochure may be requested by contacting Dan Carlson, Chief Marketing Officer at 212-624-1900 or dcarlson@avatar-associates.com. Our brochure is also available on our Web site, www.avatar-associates.com, free of charge.

Additional information about Avatar is also available via the SEC's Web site www.adviserinfo.sec.gov.

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Advisory Business

Firm Description

Avatar was founded in 1970.

We provide investment management to individuals, high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations and corporations and other business entities. We maintain proprietary economic models that it uses to interpret market activity and anticipate market movements. We aim to move our clients in and out of Exchange Traded Funds (“ETFs”) to maximize client returns. This method is referred to as Global Tactical Asset Allocation (“GTAA”). We use the output of its models as the basis for various strategies. We offer other products tailored to the needs of different clients. However, the underlying idea of GTAA is typically incorporated into each product.

Our investment strategies are implemented primarily with ETFs.

We participate in certain “Wrap-Fee Programs” sponsored by brokerage firms through which Avatar's discretionary investment management services are offered to the brokerage firms' clients.

We provide other advisory services to clients from time to time, including advice regarding general buy and sell signals.

We also have legacy advisory services that are no longer offered to new clients. These products include Financial Advisors Services (“FAD”) and Private Client Services (“PCS”).

We do not act as a custodian of client assets. We generally have discretionary authority to determine, without obtaining specific client consent, the securities to be bought or sold, their amount, the broker-dealer to be used and the commission rates paid. Our clients may impose investment restrictions in securities.

We also offer fee-only investment management services. We may compensate third-parties for referrals of clients to Avatar by paying to the third-party a portion of the advisory fee received from clients introduced by the third-party. These arrangements will be disclosed to clients in accordance with Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended. Any referral fees paid by us will not cause such client's management fee to be increased.

Principal Owners

Theodore M. Theodore is a principal owner of Avatar and owns membership interests equal to 44%. No other person owns 25% or more of Avatar's membership interests.

Types of Advisory Services Offered

Avatar's investment strategies are implemented primarily with ETFs. Fund companies charge each fund shareholder an investment management fee and other charges that are disclosed in the fund prospectus. Discount brokerages may charge a transaction fee and other charges for the purchase of funds.

We provide investment supervisory services, manages investment advisory accounts not involving investment supervisory services.

We distribute to clients and prospective clients the "Avatar Advisor", a market outlook letter, to keep them apprised of Avatar's thoughts. This is a fundamental part of our service and no separate fee is charged for the Avatar Advisor. The Avatar Advisor has been published for over 35 years.

For legacy advisory clients, stocks and bonds may be purchased or sold through a brokerage account. Your brokerage firm charges a fee for stock and bond trades. Investments may also include: equities (stocks), corporate debt securities, commercial paper, certificates of deposit (CD), municipal securities, investment company securities (variable life insurance, variable annuities, and mutual funds shares), US government securities, and futures contracts. Initial public offerings (IPOs) are not available through us.

Below is a description of each of Avatar's strategies/products.

Collective Trust Series

The Collective Trusts are for various employee benefit plans (the "Plans") that are (1) exempt from federal income tax pursuant to certain sections of the Internal Revenue Code of 1986, as amended (the "Code"); (2) maintained by a governmental employer under Section 414(d) of the Code; and (3) group trusts maintained by a bank or separate accounts (as defined by Section 2(a)(37) of the Investment Company Act of 1940) which consists solely of assets of the foregoing types of Plans.

We manage five collective trust vehicles that move from aggressive (Aggressive Growth) to conservative (Capital Preservation) for which Avatar is paid an investment advisory fee of 25 basis points. In addition to the investment advisory fees, trustee fees and possible transactions costs and other expenses may be incurred in the management of the collective trust vehicles.

Our Collective Trusts seek to outperform their designated benchmarks by raising or lowering asset class exposures, industry sector exposures, and international country exposures to anticipate relative price movements. To this end, each trust utilizes fixed income ETFs, equity ETFs, and international ETFs.

Target Date Strategies

The Avatar Target Date Strategies are constructed by investing in one or more of Avatar's collective trust vehicles. No additional fee is charged at the Target Date level. Weightings

of each portfolio in the Avatar Target Date Strategies are determined by the risk glide path and move from an aggressive to conservative strategy over a designated time period.

Broker-Dealer Sponsored Wrap-Fee Programs

Avatar participates in certain programs sponsored by broker-dealers through which Avatar's discretionary investment management services (and those of other investment advisors) are offered to the broker-dealer clients. Each client enters into an investment advisory agreement with the broker-dealer and the broker-dealer has a separate service provider agreement with Avatar. The client pays a single all-inclusive fee based on the net value of the assets under management. Part of this fee (between 0.11% and 0.40% depending on the platform and strategy) is paid by the broker-dealer to Avatar for investment advisory services. The fee also covers custodial, execution and other client-related services performed by the broker-dealer, and may be negotiable. The broker-dealer may pay a separate fee to Avatar at rates negotiated between Avatar and the broker-dealer. The agreement can be terminated at the written request of either the client or the broker-dealer. Upon termination, all pre-paid, unearned fees will be refunded by Avatar to the brokerage firm. Avatar currently participates in the following Wrap-Fee Programs:

Charles Schwab;
Investnet Asset Management;
Equis Capital Management;
Genworth Financial Wealth Management (formerly called AssetMark);
LPL;
Raymond James;
Royal Bank of Canada (RBC);
SagePoint;
TD Ameritrade; and
Wells Fargo Advisors' Private Advisor Network (PAN).

Avatar also manages Separately Managed accounts through these investment platforms. Our portfolio strategies merge passive indexes with active management in a separate account format. Portfolio strategies include investments in 10 to 50 ETFs of different asset classes and industry sectors to seek capital appreciation and income. Avatar manages several different investment strategies that range from fixed income to all equity.

Separately Managed Account programs offer clients two forms of wrap fee arrangements. First, the client can contract directly with the Sponsor (the broker-dealer that, for a portion of the fee, sponsors, organizes, or administers the program or recommends portfolio managers under the program) whereby Avatar has a contractual service arrangement with the Sponsor, but not with the client. Second, the client contracts with the Sponsor and Avatar and Avatar manages the account's assets in accordance with the investment strategy chosen by the client. All fees are collected by the custodian who remits Avatar's management fee. In addition, the Sponsor typically monitors and evaluates the account's performance, executes the client's portfolio transactions, and provides custodial services for the client's assets, (or provides any combination of these or other services), all for a all-inclusive fee. In evaluating such an arrangement, a client should recognize that the

brokerage commissions and other expenses and fees for the execution of transactions in the client's account are not typically negotiated by Avatar. Most or all of the transactions the client's account will be executed through the custodian's broker-dealer with whom the client has entered into a custody arrangement for the account. The client should consider whether, depending upon the level of the wrap fee charged by the Sponsor, the amount of portfolio activity in the client's account, the value of custodial and other services which are included in a wrap fee arrangement, are reasonable. Clients with should refer to the agreement with their wrap fee sponsor regarding services, fees, expenses and other details on their arrangement.

Global Tactical Asset Allocation Overlay

Global Tactical Asset Allocation Overlay strives to add value via intermediate-term adjustments, or "tactical tilts," to a portfolio's long-term asset mix. Alpha ("excess investment return") is sought in both bullish and bearish market environments by rebalancing, overweighting and underweighting asset class exposures. Overlay aims to provide a higher return per unit of risk than the benchmark through the use of financial futures. A portfolio is normally comprised of multiple underlying managers representing diversified strategies, but the overlay strategy is generally not visible to the portfolio's underlying managers. Overlay management can be performed on domestic and/or global portfolios.

Institutional Accounts

We provide investment advisory services to institutional investors. Account minimums are 20 million.

Legacy Services

We maintain several legacy services for clients that have invested with us prior to 2005. These services are not available to new investors and involve Financial Advisors Services (FAD) and Private Client Services (PCS). Strategies in legacy services use various asset classes and sectors including stocks, bonds and cash. Fees for these products vary based on strategy and asset size.

Other Services

Avatar provides consulting services to clients from time to time, including advice regarding general buy and sell signals which clients may use for their own investment purposes. Fees for such services are negotiated on a case-by-case basis depending upon the services provided.

Assets Under Management

As of December 31, 2010, we had approximately \$1,068,600,000 client assets under management. As of that date, we managed approximately \$937,800,000 of assets under management on a discretionary basis and approximately \$130,800,000 of assets under management on a non discretionary basis.

Termination of Agreement

A client may terminate their agreement at any time by notifying us in writing and paying the rate for the time spent on the investment advisory engagement prior to notification of termination. If you made an advance payment, we will refund any unearned portion of the advance payment. We may terminate any of agreement at any time by notifying you in writing. If you made an advance payment, Avatar will refund any unearned portion of the advance payment.

Fees and Compensation

Description

The specific manner in which fees are charged by Avatar is established in a client's written agreement with us. We generally base our fees on a percentage of assets under management. Management fees may be deducted directly from your account. Management fees are prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). 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.

Retainer agreements may be priced based on the complexity of work, especially when asset management is not the most significant part of the relationship.

Our fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. You may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by 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 and other expenses, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to our fee.

Account fees vary by product line and individual client circumstances. Fee ranges for each product are as follows:

Collective Trust Series - 0.25% for all strategies.

Target Date Strategies - 0.25% at the collective trust level only. There are no fees charged at the Target Date strategy level.

Broker-dealer Sponsored Wrap-Fee Programs - We receive a management fee between 0.11% and 0.40%.

Individual portfolio circumstances may influence the negotiation of a fee rate differing from our standard schedule.

Clients are generally billed quarterly in advance and detailed management fee calculations are provided to the sponsor on a quarterly basis. Management fees are calculated and collected by your custodian that oversees the platform used. Management fees are withdrawn by the custodian directly from the client's account on behalf of us. We will reimburse terminated clients on a prorated basis for fees paid in advance when the termination occurs before the end of the billed period. Instructions to terminate are accepted in writing from an authorized client representative and are effective when received, although we prefer advance notice (30 days) to facilitate the liquidation of securities in an orderly, prudent and timely fashion.

Global Tactical Asset Allocation Overlay - Overlay assets are based upon notional principal. Fees are typically between 0.12% and 0.20%. In addition a performance fee is charged in the amount of 20% on any amounts above the breakpoint. The breakpoint is 50 bps for domestic overlay and 75 bps for global overlay.

Legacy Services - Fees for these products vary based on strategy and asset size. Fees typically range between 1.00% and 2.50%.

Other Consulting Services - Avatar provides other consulting services to clients from time to time, including advice regarding general buy and sell signals which clients may use for their own investment purposes. Fees for such services are negotiated on a case-by-case basis depending upon the services provided.

Other Fees

Custodian broker-dealers may charge transaction fees on purchases or sales of certain exchange-traded funds.

The section below describes circumstances under which Avatar receives research services from brokers with whom Avatar executes trades.

Avatar, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

Performance-Based Fees

Sharing of Capital Gains

Individual portfolio circumstances may influence the negotiation of a fee rate differing from Avatar's standard schedule, and certain clients negotiate and agree to a fee based in part upon the performance of the assets under management. Such performance fees are calculated in accordance with Section 205(a)(1) of the Investment Advisers Act of 1940, as amended, in accordance with available exemptions thereunder, including the exemption set forth in Rule 205-3. This method must meet Avatar's and SEC qualifications. The

nature of these fees is described in the client's investment advisory agreement with Avatar. This fee arrangement may create conflicts of interest. For example, this fee arrangement may be an incentive for the adviser to make more speculative investments or increase the adviser's focus on short-term profits, rather than focusing on long-term capital appreciation. This could expose the portfolio(s) to additional levels of risk and possible loss of principal and returns thereon than it would face if such a fee structure were not in place.

For clients that elect this fee alternative, the fee is generally a percentage of the profits earned, sometimes only after a certain minimum return has been achieved. Clients should review the pertinent investment advisory agreement for more specifics about how this fee is charged.

Types of Clients

Description

Avatar provides investment advice to individuals, high net worth individuals, pension and profit sharing plans, charitable organizations, corporations and other businesses.

Account Minimums

Minimum account sizes vary by product:

- Minimum asset amounts for accounts managed by Avatar under broker-sponsored "wrap-fee" programs are generally \$100,000; however, the minimum asset size for Equis Capital Management is \$25,000 and for Envestnet it is \$30,000.
- Typically, basic Institutional Accounts require minimum assets of \$20 million. This account size may be waived at Avatar's discretion. For example, in the event a client already has an established relationship with Avatar.
- Overlay portfolios generally have a minimum asset level of \$50 million; however, Avatar will make exceptions to this minimum depending upon account investment objectives and other circumstances.
- Private Client Service and Financial Advisor Division accounts generally have had a minimum asset level of \$50,000; however, Avatar may accept smaller asset sizes. In the event a minimum asset size is waived, the client should recognize that additional costs associated with managing the account may be passed on to the client (e.g., old-lot transactions costs, minimum account fees, incremental maintenance fees, etc.).

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Avatar uses quantitative approaches to objectively identify the economic and financial factors that influence investor risk tolerances. The Composite Scoring Models Avatar employs are robust and take a "weight-of-the-evidence" approach, requiring no forecasts of input factors. These investment opinions are then translated into portfolio asset allocations through the use of optimization methods.

Upon determining the portfolio asset class mix, Avatar selects a portfolio of ETFs. Avatar seeks to select ETFs that demonstrate the ability to provide returns in the future but are relatively undervalued today. To find these, Avatar combines both quantitative and a qualitative research to construct a portfolio containing approximately 10-45 ETFs. Fixed income portfolio holdings are a mix of US government and agency issues and some selected corporate debt obligations. Avatar's sell disciplines are driven by asset allocation decisions, deteriorating stock or bond fundamentals, or stop-loss points for any given investment. Avatar may also invest in stocks and bonds for legacy accounts.

Investment Strategies

Avatar has developed an asset allocation approach designed to generate positive returns by reducing the perils of volatility. Our investment strategies cover a series of risk profile from very aggressive to conservative. The aim is to create a system that balances investment risk and reward. Clients benefit from a coordinated approach that blends asset allocation, rigorous security selection, and distinct sell strategies.

Decisions are based on the following three steps:

STEP 1. PORTFOLIO ASSET ALLOCATION.

The portfolio stocks/bonds/cash mix has the greatest impact on risk and performance. GTAA research is produced in-house by a team of analysts, headed by Avatar's Chief Investment Officer, Ted Theodore. The investment professionals, as a group, determine the critical portfolio allocation by analyzing and interpreting this quantitative data. The portfolio managers then uniformly implement the asset allocation strategy for their respective clients.

STEP 2. STOCK AND BOND TECHNICAL SELECTION.

Avatar utilizes quantitative, technical and fundamental research and behavioral finance in the stock and ETF selection processes. Avatar uses a computer ranking system to identify equity ETFs that are inexpensive relative to their return potential. A team of portfolio managers and analysts work closely to identify industry and business trends and to select domestic and international equity ETFs that Avatar believes are the best alternatives in this environment. Avatar also alters the characteristics of the fixed income holdings in response to market risk as determined by asset allocation research.

STEP 3. SELL DISCIPLINES.

Avatar may sell a security if any of the following occurs:

- 1) If a tactical decision is made to reduce exposure to equities or fixed income;
- 2) If a position size becomes too large in a portfolio;
- 3) In order to protect a profit;
- 4) In order to protect against a loss;
- 5) If there is a material negative change in fundamentals; and
- 6) If there are deteriorating quantitative ranks.

Avatar Management oversees the general activity of the trading process including best execution, approval of trading partners, trading error resolution and restitution, trading error tracking, pricing issues and the like.

Other strategies may include long-term purchases, short-term purchases, trading, short sales, and margin transactions.

Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear.

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.
- 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.
- 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.
- 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.
- Key Person Risk: The success of a client's investment portfolio depends on efforts of the portfolio manager team. If a portfolio manager on the team ceases to be responsible for the clients portfolio selection, the client's portfolio could be adversely affected.
- Investment Selection Risk: The success of a client's investment portfolio strategy depends on the management, skill, and acumen of Avatar's portfolio managers.

Disciplinary Information

Legal and Disciplinary

Avatar and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

Other Financial Industry Activities and Affiliations

Financial Industry Activities

Avatar is registered as a commodity trading advisor with the National Futures Association.

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

Code of Ethics

The employees of Avatar have committed to a Code of Ethics. Avatar will provide a copy of any client or prospective client upon request.

Avatar has adopted procedures to implement the firm's policy and reviews to monitor and insure the firm's policy is observed, implemented properly and amended or updated, as appropriate, which can be summarized as follows:

Employees are to identify any personal investment account and any accounts in which the employee has a beneficial interest, including any accounts for the immediate family and household member, upon hire, annually thereafter and upon opening or closing any account(s).

Employees must report all required information for covered personal securities transactions.

Participation or Interest in Client Transactions

Avatar and its employees may buy or sell securities that are also held by clients. Avatar employees comply with the provisions of the Avatar Policies and Procedures Manual of Compliance and Supervision. The Chief Compliance Officer will review all employees' reports of personal securities transactions for compliance with the firm's policies.

Brokerage Practices

Wrap-fee Sponsored Accounts

Clients that participate in a wrap-fee sponsored product, the Collective Trust series or the Target Date Strategies cannot direct client brokerage.

In cases where Avatar provides model-only services to an investment advisor/platform, that investment advisor and/or platform will determine whether directed brokerage may occur with a client account.

Avatar does not maintain custody of your assets, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account. Your assets must be maintained in an account at a qualified custodian, generally a broker-dealer. We are independently owned and operated and are not affiliated with a qualified custodian. A qualified custodian will hold your assets in a brokerage account and buy and sell securities when we/you instruct them to. While we recommend that you use a qualified custodian as custodian/broker, you will decide whether to do so and will open your account with a qualified custodian 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. A qualified custodian may require you to use their services to execute trades for your account.

We seek to use a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services;
- Capability to execute, clear, and settle trades (buy and sell securities for your account);
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.);
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds, etc.);
- Availability of investment research and tools that assist us in making investment decisions;
- Quality of services;
- Reputation and stability;

- Prior service to us and our other clients;
- Availability of other products and services that benefit us

Your Brokerage and Custody Costs

Qualified custodian may not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your account. For some accounts, a qualified custodian may charge you a percentage of the dollar amount of assets in the account in lieu of commissions. A qualified custodian's commission rates and asset-based fees applicable to our client accounts may have been negotiated based on the condition that our clients collectively maintain a minimum level of assets.

This commitment may benefit you because the overall commission rates and asset-based fees you pay maybe lower than they would be otherwise. In addition to commissions and asset-based fees, a qualified custodian may charge you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited and settled into your account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have qualified custodians execute most trades for your account. We have determined that having a qualified custodians execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors.

Products and Services Available to Us

Our qualified custodians provide us and our clients with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to retail customers. Our qualified custodians also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Qualified custodians support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as our clients collectively maintain a minimum amount of assets. If our clients collectively have less than the minimum in assets at a qualified custodian, the qualified custodian may charge us service fees.

Non Wrap-fee Sponsored Accounts

Avatar uses a select group of brokerage institutions to execute trades.

The selection of a broker for a particular trade depends upon a number of possible factors, including the execution capability of the broker for certain types of issues or industries, the willingness of the broker to commit capital, the size of the transaction, and any indications in the market place that a match (the opposite side) exists.

Avatar may use "soft dollar" arrangements whereby a broker-dealer with whom Avatar does business pays a third party directly for services received by Avatar. Soft dollar arrangements may present a conflict of interest. When Avatar uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, Avatar receives a benefit because we do not have to produce or pay for the research, products or services. Avatar may have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on clients' interest in receiving most favorable execution. Avatar may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up). Avatar may use soft dollar benefits to service all of its clients' accounts or only those that paid for the benefits. Avatar does not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

Services provided by broker-dealers to Avatar that may benefit our firm include:

- assistance in administering clients' accounts such as software and other technology providing access to client account data (trade confirmations, account statements, etc.),
- facilitating trade execution, aggregated trading for multiple client accounts,
- providing research, pricing information, other market data,
- facilitating payment of investment management fees from client accounts, and
- assisting with record keeping and client reporting.
- practice management research papers,

Brokerage firms may discount or waive fees they 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 us. The availability to our firm of the products and services listed above is not contingent upon our committing to the brokerage firm any specific amount of business (assets in custody or trading).

Some of the products or services Avatar may purchase with soft dollars include reports on or other information about particular companies or industries; economic surveys and analyses; recommendations as to specific securities; financial publications; portfolio evaluation services; financial database software and services; computerized news; pricing and order entry services; quotation equipment and other computer hardware for use in running software use in investment decision making.

Order Aggregation

It is Avatar's practice, when feasible, (for wrap accounts, at the broker-dealer level), to aggregate for execution as a single transaction the order to purchase or sell a particular security for the accounts of several clients in order to seek a lower commission or more advantageous net price. The benefit, if any, obtained as a result of such aggregation is generally allocated pro-rata among the accounts of the clients which participated in the aggregated transaction.

Prior to placing an aggregated transaction order, Avatar determines the quantity to purchase or sell for each account. If a sufficient quantity is not purchased or sold to complete an order, or if an order is executed at varying prices, allocation of securities will generally be made by the portfolio managers or the trader in a manner which is deemed equitable to the accounts involved.

Review of Accounts

Periodic Reviews

Avatar's CIO and portfolio managers periodically review portfolios and accounts for asset allocation exposure, ETF ratings and stop loss points on individual ETFs. Portfolio managers implement Avatar's asset allocation strategy by meeting formally and informally on a continuing basis and particularly when specific events occur which may warrant a change in that strategy. Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

For legacy clients, Avatar produces quarterly written reports that contain the portfolio holdings and market value.

For clients in wrap accounts, clients receive reports from their qualified custodian.

Client Referrals and Other Compensation

Avatar may compensate third parties for referrals of clients to Avatar by paying to the third party a portion of the advisory fee received from clients introduced by the third party. These arrangements will be disclosed to clients in accordance with Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended. Any referral fees paid by Avatar should not cause such client's management fee to be increased. In order to avoid any conflicts of interest Avatar complies with the requirements of Rule 206(4)-3 including having a written agreement with each solicitor, requiring having solicitor deliver to the client, at the time of his or her solicitation activities, copies of Part 2A of Avatar's current Form ADV, and a separate written disclosure document containing the name of the solicitor, the nature of the relationship, a statement that the solicitor will be compensated for his or her solicitation activities, the terms of compensation arrangement, and a statement that any referral fees paid by Avatar should not cause such client's management fee to be increased. Avatar obtains from the client a signed and dated acknowledgment of the client's receipt of the disclosures.

We receive an economic benefit from broker-dealers in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts. These products and services, how they benefit us, and the related conflicts of interest are described above.

Custody

Account Statements

Under government regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct the qualified custodian to deduct our advisory fees directly from your account or if you grant us authority to move your money to another person's account. Your qualified custodian maintains actual custody of your assets. Qualified custodians provide account statements directly to clients the email or postal mailing address of record. Clients are urged to carefully review those statements promptly when you receive them. We also urge you to compare their account statements to any periodic statements you will receive from us.

Investment Discretion

Discretionary Authority for Trading

Avatar receives discretionary authority to manage securities accounts on behalf of clients. Avatar has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. A limited power of attorney is a trading authorization for this purpose. Clients sign a limited power of attorney so that Avatar may execute trades approved by a client.

Voting Client Securities

Proxy Votes

Unless the client designates otherwise, Avatar votes proxies for securities over which it maintains discretionary authority consistent with its proxy voting policy.

Avatar may act as an investment manager for advisory clients which are governed by the Employment Retirement Income Security Act (ERISA). As an investment manager and a fiduciary with special responsibilities under ERISA, and as a matter of policy, Avatar is responsible for acting solely in the interests of the plan participants and beneficiaries. Avatar's policy includes managing client assets consistent with the "prudent man rule," exercising proxy voting authority if not retained by a plan fiduciary, maintaining any ERISA bonding that may be required, and obtaining written investment guidelines/policy statements, as appropriate.

A copy of Avatar's proxy voting policies and procedures is available upon request.

Financial Information

Financial Condition

A balance sheet is not required to be provided because Avatar does not serve as a custodian for client funds or securities; does not require or solicit prepayment of fees of more than \$1,200 in fees per client, and six months or more in advance.