

**ITEM 1: COVER PAGE**

**AVALON CAPITAL MANAGEMENT**

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PORT OF REDWOOD CITY  
CALIFORNIA 94063-2785**

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**Form ADV Part 2A  
Firm Brochure  
March 22, 2012**

**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, please 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.**

**Item 2:**

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### ITEM 3: MATERIAL CHANGES

There have been no material changes in Avalon Capital Management's advisory business since its previous Form ADV Part 2A, dated March 31, 2011.

### ITEM 4: ADVISORY BUSINESS

- A. David R. Rahn & Associates, Inc. d/b/a Avalon Capital Management ("Avalon") is an investment adviser registered with the Securities and Exchange Commission, which has been in operation since 1992.

David R. Rahn, Clara S. Basile, and William D. Oberman make up Avalon's investment management team.

All management team members are owners of the business entity, David R. Rahn & Associates, Inc. David R. Rahn is the principal owner of the business entity.

- B. Avalon provides the following types of services:

1. 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 though 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.

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. Using a combination of individual securities, mutual funds, and exchange traded funds, the portfolios are actively managed.

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

2. Hourly Financial Planning Services

Occasionally, Avalon provides investment advice and portfolio recommendations to clients on an hourly basis. Since Avalon is only suggesting possible courses of action, the client makes the final decision as to whether or not to take Avalon's advice. The client is under no obligation to take the advice. If the client acts on the advice, the client is under no obligation to use Avalon or any affiliated or associated person to effect any financial transaction. Neither Avalon nor any

affiliated or associated person receives any commission from the sale of real estate, securities or other products or services recommended to any client receiving hourly investment advice.

### 3. 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.

### 4. 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.

### 5. Assets Under Management

Avalon's assets under discretionary management as of December 31, 2010 were \$226,538,000.

## **ITEM 5: FEES AND COMPENSATION**

### A. 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.

**B. Hourly Financial Planning Services**

Hourly Financial Planning services are billed at \$250 per hour. Fees for this service are payable upon completion of the service and presentation of the invoice. (See payment terms for investment management services in "How Fees Are Paid," below.)

**C. 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.

**D. Investing in REITs**

Avalon may also invest in publicly traded real estate investment trusts (REITs), and in mutual funds and exchange traded funds (ETFs) that invest in REITs. REITs have their own internal advisory fees, costs and expenses, which are in addition to the investment management fees charged by Avalon

**E. 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: METHOD OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **A. 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.

### **B. 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.

### **C. 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%) of 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.

## **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**

- A. 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.

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 chart provides an idea of the factors Avalon considers when selecting broker-dealers:

#### SELECTION OF BROKER-DEALERS: FACTORS CONSIDERED

- |   |   |
|---|---|
| • Net price   | • Willingness to execute related or unrelated difficult transactions in the future; |
| • Transaction cost  | • Block trading and block positioning capabilities                                  |
| • Ability to maintain the confidentiality of trading intentions | • Research services provided  |
| • Timeliness of execution                                       | • Ability to provide investment ideas   |
| • Timeliness and accuracy of trade confirmations                | • Execution facilitation services provided  |
| • Liquidity of the securities traded                            | • Record keeping services provided  |
| • Willingness to commit capital                                 | • Custody services provided   |
| • Ability to place trades in difficult market environments      | • Frequency and correction of trading errors  |
| • Ability to access a variety of market venues                  | • Financial strength and stability  |
| • Expertise as it relates to specific securities                | • 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 \$25 “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.

# 1. Research and Other Soft-Dollar Benefits

Avalon has soft dollar agreements with two broker-dealers: Schwab and Capital Institutional Services (“CIS”). The arrangements with both broker-dealers give Avalon access to an array of high quality, independent research products. While Avalon does its own in-depth research that underlies its investment decisions and recommendations, the research products and services Avalon obtains through its soft dollar arrangements have provided important background research for Avalon. The access to these research resources are factors in selecting broker-dealers. Avalon believes that the research received through the soft dollar arrangements add value to Avalon’s own research. Avalon’s clients benefit from these arrangements.

## SOFT DOLLAR OVERVIEW

### “Safe Harbor”

Under Section 28(e) of the Securities Exchange Act of 1934, as amended, an investment adviser with investment discretion over an account is permitted to pay a broker-dealer commissions in excess of commissions that may be charged by another broker-dealer if the adviser:

- Determined in good faith the amount of commissions paid was reasonable in relation to the value of the brokerage and research provided by the broker-dealer.
- Determined the arrangement was reasonable in light of a specific transaction or the adviser’s overall responsibilities for its client accounts.
- Obtained “brokerage and research” services from a broker-dealer who:
  - (A) furnishes advice, either directly or through publications or writings, as to the value of securities, the advisability of investing in, purchasing, or selling securities, and the availability of securities or purchasers or sellers of securities;
  - (B) furnishes analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and the performance of accounts; or
  - (C) effects securities transactions and performs functions incidental thereto (such as clearance, settlement, and custody) or required in connection therewith by rules of the Commission or a self-regulatory organization of which such person is a member or person associated with a member or in which such person is a participant. [Securities Exchange Act, Section 28(e), Subsections (2)(A)-(C)]

The provisions in Section 28(e) create a “safe harbor” for investment advisers who receive brokerage and research services from broker-dealers in view of the commissions paid, if advisers comply with Section 28(e) regarding the services received and the advisers’ disclosure of its

policies. Underscoring Section 28(e) is an adviser's good faith belief that the amount of commissions paid is reasonable in view of the brokerage and research services received.

In soft dollar arrangements, some broker-dealers provide brokerage and research services to investment advisers based either upon an agreed upon level of transactions placed with the broker-dealer or an agreement to use the broker-dealer without a specific level of transactions. The amount of soft dollar credits is determined in various ways, depending upon the agreement between the adviser and the broker-dealer.

#### Avalon's Soft Dollar Arrangements

Avalon and Schwab have entered an agreement whereby Schwab furnishes research and brokerage products and services paid for by equity commission credits – or “soft dollars” – on client transactions placed through Schwab. In 2011, Avalon earned \$49,000 in soft dollar credits from client account commissions. Avalon used the credits to obtain brokerage and research products and services that Schwab bought for Avalon's use on behalf of its client accounts. The brokerage and research services provided to Avalon by Schwab are within the Safe Harbor.

Avalon and CIS have not agreed upon a specified amount of commissions needed for Avalon to access brokerage and research services through CIS. Client transactions generate commissions that defray the cost of Avalon's receipt of brokerage and research from CIS. During the 2011 calendar year, Avalon obtained \$32,700 in soft dollar credits to pay for research and other services due to client trades placed with CIS. The brokerage and research services provided to Avalon by CIS are within the Safe Harbor.

Avalon has a good faith belief that the commissions paid by client accounts are reasonable in light of the value of the brokerage and research services received by Avalon from Schwab and CIS. The research received by Avalon is independent third-party brokerage and research services. The soft dollar arrangements provide access by Avalon to the following types of brokerage and research product and services:

#### **BROKERAGE AND RESEARCH SERVICES RECEIVED**

##### Schwab

- Online access to a global data based 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 to determine cyclic junctures (entry and exit points, tops and

##### CIS

- IDC provides daily pricing data for all the investment holdings in the client portfolios managed by Avalon. Avalon uses their data to supplement the pricing that is received from Charles Schwab, to ensure that all the investment holdings are accurately priced.
- Sunguard provides the trading software and technology that transmits Avalon's individual and block trades directly to the trading groups at Charles Schwab, CIS and other trading groups.
- Compliance Expertise - unbiased reports on

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.

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, and innovative insights into U.S. and international economic systems.

#### Additional Disclosures

- a. When Avalon obtains brokerage and research through use of soft dollar credits, it is a benefit to Avalon since it does not have to pay for these products and services.
- b. Avalon has an incentive to use or recommend a broker-dealer with whom Avalon has a soft dollar arrangement because of the brokerage and research received, rather than because of Avalon's duty to seek the most favorable available execution for its clients. However, when Avalon uses or recommends a broker-dealer, whether or not there is a soft dollar arrangement, it is because of Avalon's good faith belief that the arrangement permits clients to receive the most favorable available execution taking into account all factors surrounding the transactions or recommendations.

Similarly, the volume of trades placed by Avalon for its client accounts are transacted based solely on the needs of Avalon's clients and not by any desire on the part of Avalon to generate commissions to pay for brokerage and research. It is Avalon's responsibility to place trades with any "soft dollar" broker-dealers in a manner consistent with Avalon's fiduciary duties to its clients.

- c. The commissions paid by client accounts when Avalon uses Schwab and CIS for client transactions may be higher than the commissions charged by other broker-

dealers in specific instances. In these situations, it is Avalon's good faith judgment that the higher commissions are reasonable in light of the value and quality of the brokerage and research services received from Schwab and CIS.

- d. Generally, soft dollar credits are generated (on a prorated basis) from commissions paid across client accounts. Brokerage and research that Avalon obtains using soft dollar credits benefits all client accounts generally rather than a specific client account.
- e. As an investment adviser, Avalon is a fiduciary to its clients. Avalon has a duty to act in the best interest of its clients always. It is Avalon's good faith belief that it is acting in the best interest of its clients when using or recommending for client accounts a broker-dealer with which Avalon has a soft dollar arrangement. In selecting broker-dealers in the first instance, Avalon has already taken into account a number of factors in deciding that using the broker-dealer would permit Avalon to provide the most favorable available execution to its clients. The brokerage and research obtained by Avalon through soft dollar credits always benefits Avalon's clients, even if the brokerage and research also benefits Avalon in providing its advisory services to client accounts.

From time to time, a portion of the products and services will be used in a manner that does not constitute "brokerage and research services" as that term is defined in Section 28(e) of the Securities Exchange Act. Avalon will use its best judgment to decide what portion of the product or services are "brokerage and research" and what must be paid for with "hard dollars." Such services include software products that provide Avalon with assistance in portfolio management as well as account reporting and administration.

## 2. Brokerage for Client Referrals

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

## 3. 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.

## B. 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: Individual accounts are reviewed not less than monthly by David R. Rahn, Clara Jean Basile, and/or William Daniel Oberman, who are Avalon's "Investment Personnel." 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.

### **ITEM 17: VOTING CLIENT SECURITIES**

It is Avalon's policy not to exercise proxy-voting authority for its client accounts. Avalon specifically disclaims proxy-voting authority in its contract for discretionary investment advisory services.

Clients generally receive proxy-voting notices if they request them in their contracts with Avalon. These notices are provided by the custodian for their accounts.

**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.