

# ***AVONDALE WEALTH MANAGEMENT LLC***

## ***Form ADV Part 2A Brochure***

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This Disclosure Brochure provides information about the qualifications and business practices of Avondale Wealth Management LLC (“Avondale”). If you have any questions about the contents of this Disclosure Brochure, please contact us at (832) 619-1643 or by email at [info@avondalewealth.com](mailto:info@avondalewealth.com).

Avondale is a Registered Investment Advisor with the Securities and Exchange Commission (“SEC”). The information in this Disclosure Brochure has not been approved or verified by the (“SEC”) or by any state securities authority. Registration of an investment advisor does not imply any specific level of skill or training. This Disclosure Brochure provides information about Avondale to assist you in determining whether to hire or retain Avondale as your advisor.

Additional information about Avondale and its advisory persons are available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 2: MATERIAL CHANGES

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Form ADV Part 2A (the “Disclosure Brochure”) provides information about a variety of topics relating to an Advisor’s business practices and conflicts of interest. Avondale believes that communication and transparency are the foundation of our relationship and continually strive to provide our Clients with the complete and accurate information at all times. We encourage all current and prospective Clients to read this Disclosure Brochure and discuss any questions you may have with us and of course, we always welcome your feedback.

Please note the changes and modifications to this Brochure that are set forth below reflect all of the “Material Changes” made to this brochure since our last delivery of posting of the Brochure on the SEC’s public disclosure website (IAPD):

### Material Changes

The firm has updated its registration and is now registered with the SEC as an investment adviser.

### Future Changes

From time to time, we may amend this Disclosure Brochure to reflect changes in our business practices, changes in regulations and routine annual updates as required by the securities regulators. This complete Disclosure Brochure or a Summary of Material Changes shall be provided to each Client annually and if a material change occurs in the business practices of Avondale, free of charge.

At any time, you may view the current Disclosure Brochure on-line at the SEC’s Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You may also request a copy of this Disclosure Brochure at any time, by contacting us at (832) 619-1643 or by email at [info@avondalewealth.com](mailto:info@avondalewealth.com).

*Please retain a copy of this Disclosure Brochure for your records.*

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## ITEM 4: ADVISORY BUSINESS

### ***INTRODUCTION***

**Avondale Wealth Management, LLC** (hereafter “Avondale”), is a fee-based investment adviser that offers the following types of advisory services: *Portfolio Management Services, Financial Planning Services and 401K Plan Services*.

Avondale was incorporated in 2010. The experience, education, and background of its principals and investment adviser representatives (hereafter “IA Reps”) can be found in the accompanying Brochure Supplement document.

Avondale’s principal owners are: **Justin Coy Jacobs, Co-CEO and CIO** (hereafter “Jacobs”) and **Samuel Sean McGee, Co-CEO and CFO** (hereafter “McGee”).

### ***INITIAL CONSULTATION***

Avondale will begin by providing the Client a free initial consultation. Avondale uses the initial consultation to:

- Introduce the Client to Avondale, its services, and staff;
- Gather information about the Client’s investment objectives, financial condition, and risk tolerance, which Avondale uses in forming its investment advice; and
- Reach an agreement on the terms of service and compensation arrangements.

The consultation must be completed before Avondale will make any specific recommendations about the Client’s asset allocation or securities to buy or sell.

Prior to establishing a Client’s account, the Client will sign Avondale’s *Investment Management Agreement*, which serves as the contract between the Client and Avondale, specifying the precise nature of services to be rendered by Avondale and fees to be paid by the Client.

### ***PORTFOLIO MANAGEMENT SERVICES***

Avondale primarily manages Client accounts on a discretionary basis. For discretionary accounts, Avondale will evaluate the Client’s financial condition and risk tolerance in order to tailor its securities recommendations to meet the Client’s investment objectives and individual needs. On rare occasions, Avondale will allow the Client to impose restrictions or parameters on investing in certain securities or types of securities. For discretionary accounts, Avondale will manage them inside of one of five models, unless otherwise agreed. Avondale refers to their models as MAPs (Multi Asset Portfolios). The five models are Preservation, Conservative, Balanced, Growth, and Aggressive. Each model has a tax-sensitive allocation for non-retirement accounts and taxable allocation for retirement accounts. As well, Avondale manages condensed versions of the five models for accounts under \$50,000 in value.

Avondale will manage money actively and dynamically utilizing primarily: actively-managed mutual funds, exchange-traded funds (ETFs), and index funds. However, in rare instances, Avondale may invest in exchange-listed stocks, individual bonds, closed-end funds, stock options, or other such liquid securities. Given that the market will affect the value of these securities, Avondale will monitor Client accounts on a daily basis so that it may make any necessary transactions in discretionary accounts..

Avondale does not provide any “wrap programs” (programs that bundle brokerage and advisory services under a single comprehensive fee) so all securities recommended by Avondale may include additional transaction charges by the Client’s broker-dealer/custodian separate from Avondale’s advisory fees.

## **DISCRETIONARY PORTFOLIO MANAGEMENT**

For discretionary accounts, the Client will grant Avondale limited trading authority (discretionary authority) in the Client's brokerage account by executing the appropriate documents with the Client's broker-dealer/custodian. The discretionary authority will allow Avondale to enter securities transactions on the Client's behalf, determining which securities and the amount of securities to buy or sell. Clients will be notified of all transactions by trade confirmations from their broker-dealer/custodian and through communication with Avondale.

Avondale will also request the Client provide written authorization to allow Avondale to automatically deduct its advisory fee from the Client's account (discussed at greater length in the "FEES AND COMPENSATION" section on page 5 of this Disclosure Brochure); however, Avondale will not have the authority to make any other withdrawals from the Client's account(s) under management.

As of June 30, 2015, Avondale manages \$112,643,050 in discretionary and \$3,377,245 in non-discretionary assets for a total of \$116,020,295.

Avondale recommends the Client grant discretionary authority to Avondale so that it may execute recommendations in a timely fashion, but Clients should always review their brokerage account statements to verify the trading activity and withdrawals that occur in their account(s).

## **NON-DISCRETIONARY PORTFOLIO MANAGEMENT**

For certain accounts, Avondale may offer its services on a non-discretionary basis. For non-discretionary accounts, Avondale will take instructions directly from a Client in writing so that the Client may make investment decisions at their own discretion. Since Avondale will recommend all Clients grant it discretionary authority where active money management is advised, Avondale anticipates very little of its Portfolio Management Services to be rendered on a non-discretionary basis.

Since Avondale merely takes written instructions for securities transactions in non-discretionary accounts, Clients should take measures to ensure that their instructions are executed in a timely fashion and should review their account(s) to ensure that transactions were entered properly.

## **401K PLAN SERVICES**

Avondale offers services to 401K plans on a non-discretionary basis, and in accordance with the objectives specified, and in accordance with the Investment Policy Statement of the Plan ("IPS"). Additionally, Avondale shall make recommendations, consistent with the IPS, as to the diversified menu of investment funds to be offered to Plan Participants covered by the Plan.

Services include: Plan design and implementation, on-going plan review and analysis, research and evaluation of plan investment choices, annual qualitative and quantitative analysis of investment choices, asset allocation strategies and discretionary management available to plan participants as outlined in separate independent Investment Advisory Agreement, group educational meetings for plan participants, recommend modifications based on changes in structure of employer, IRS Rules or as dictated by corporate executives, executive consultations regarding overall investment strategy and retirement planning. These services may be modified or revised from time to time, based on the approval of both parties.

If Plan Participant(s) wish to engage in a discretionary investment management relationship with Avondale, a separate Investment Management Agreement will be entered into on an individual basis.

## ***FINANCIAL PLANNING SERVICES***

If the Client elects *Financial Planning Services*, Avondale may extend the initial consultation to include discussions necessary to begin creating a financial plan or may arrange a follow-up meeting to review additional information about the Client's finances. In any case, the Client will have the choice to:

- a) Consult with Avondale on the Client's overall financial situation and obtain a comprehensive, written financial plan; or
- b) Consult with Avondale on a specific topic or an individual security.

As the *Comprehensive Financial Plan* option would include the opportunity to discuss any specific topic or any individual security, Avondale recommends this option for all new Clients. For returning Clients that need to consult with Avondale on a specific topic or individual security, they can do so during an *Annual Financial Plan Review* or engage Avondale for a *Separate Financial Planning Consultation*.

### **COMPREHENSIVE FINANCIAL PLAN**

Avondale will review all aspects of the Client's finances to prepare a written financial plan that makes comprehensive recommendations to help the Client meet their financial objectives. These areas of analysis may include: overall asset allocation, securities recommendations, insurance needs, mortgage planning, consumer debt, retirement planning, college planning, trust & estate planning, savings, budgeting, and tax planning.

Avondale will compile this financial information and use it to construct a *Comprehensive Financial Plan* tailored to the Client's specific financial situation. The written financial plan will typically be constructed within three months, but may take longer than six months depending on the complexity.

Clients can execute the *Comprehensive Financial Plan* on their own or Avondale can assist in implementation. If *Portfolio Management Services* are recommended in the *Comprehensive Financial Plan*, Clients may engage Avondale for those *Portfolio Management Services* as described above.

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

### ***MANAGEMENT FEES FOR PORTFOLIO MANAGEMENT SERVICES***

Avondale offers its services on a fee basis, which, depending upon the engagement, may include fixed fees and/or fees based upon assets under management. The specific manner in which fees are charged is established in the Client's Agreement with Avondale.

In the event the Client determines to engage Avondale to provide investment management services, Avondale shall do so on a fee basis. If engaged, Avondale shall charge an annual fee based upon a percentage of the market value of the assets being managed by Avondale.

As described in further detail below, Avondale's annual fee is exclusive of, and in addition to transaction fees and other related expenses by third parties, which shall be incurred by the Client. Note that Avondale shall not receive any portion of these charges or fees.

Avondale's annual fee shall be prorated and charged quarterly, in advance, based upon the market value of the assets on the last day of the previous quarter. The annual fee shall vary (between 0.10% and 1.50%)

depending upon the market value of the assets under management and the type of investment management services to be rendered, as follows:

**Investment Portfolio  
PORTFOLIO VALUE ANNUAL FEE SCHEDULE**

First \$500,000	1.50%
Next \$1,000,000	1.25%
Next \$3,500,000	1.00%
Next \$5,000,000	0.65%
Above \$10,000,000	0.30%

**Preservation Portfolio ONLY  
PORTFOLIO VALUE ANNUAL FEE SCHEDULE**

First \$1,000,000	0.50%
Next \$4,000,000	0.40%
Next \$5,000,000	0.30%
Next \$10,000,000	0.20%
Above \$20,000,000	0.10%

Annual fees will be automatically deducted from the Client Account by the Custodian. The amount due is calculated by applying the quarterly rate (annual rate divided by 4) to the total assets under management with Avondale at the end of each quarter. Clients will be provided with a statement, at least quarterly, from the Custodian reflecting deduction of the Investment Advisory Fee. It is the responsibility of the Client to verify the accuracy of these fees as listed on the custodian's brokerage statement as the Custodian does not assume this responsibility. Clients provide written authorization permitting Avondale to be paid directly from their accounts held by the Custodian as part of the *Investment Management Agreement* and separate account forms provided by the Custodian.

For the initial quarter of investment management services, the first quarter's fees shall be calculated on a *pro rata* basis. The *Agreement* between Avondale and the Client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. Avondale's annual fee shall be prorated through the date of termination and any remaining balance shall be charged or refunded to the Client, as appropriate, in a timely manner.

***PLANNING FEES FOR FINANCIAL PLANNING SERVICES***

For *Comprehensive Financial Plans* and *Annual Financial Plan Reviews*, Avondale charges a fixed fee. Financial Planning Service Fee Type and Amount

<u>Financial Planning Service</u>	<u>Fee Type and Amount</u>
Comprehensive Financial Plan	\$5,000 to \$50,000 fixed fee

Avondale may negotiate its fixed fee amount for *Comprehensive Financial Plans* based on the complexity of the financial plan. The final amount will be specified in the *Financial Planning Agreement*.

One-half of the estimated fee stated in the *Financial Planning Agreement* is due at signing. The balance shall be due and payable upon completion of the agreed upon services. If a Client chooses to terminate within five (5) business days from the date of execution or at any time via written notice the *Financial Planning Services* before the product is delivered or service is complete, Avondale will charge a prorated amount for the work completed and will deliver any work product completed.

Notwithstanding the above, all fees are negotiable and certain clients may be charged less, depending upon a number of factors, including portfolio size, employment and relationship to Avondale.

### ***OTHER COMPENSATION***

In addition to the investment management and financial planning fees described above, individual IA Reps of Avondale may also be licensed as insurance agents and/or registered representatives to sell insurance and/or investment products and may receive insurance and/or brokerage commissions for the sale of those insurance and/or investment products.

This creates a conflict of interest and may offer IA Reps an incentive to recommend insurance and/or investment products that produce insurance and/or brokerage commissions for the IA Rep. When any such recommendations are made, IA Reps will disclose their commissions prior to completing any transaction and will obtain specific consent from the Client before purchasing any insurance and/or investment product. Additionally, Clients always have the option to purchase insurance and/or investment products through other agents and/or representatives not affiliated with Avondale.

Such insurance and/or brokerage commissions will be a marginal part (approximately 10 percent) of the IA Reps' business as their primary focus will be the investment advisory business rather than their insurance and/or brokerage business.

Any insurance and/or commissions will be charged separately through the insurance company or agency and/or broker/dealer and remitted to the IA Rep in their capacity as an insurance agent and/or registered representative. Avondale will not receive any insurance or brokerage commissions paid to its IA Reps.

### ***Asset Withdrawals and Additions***

The Client may make additions to and withdrawals from the account at any time, subject to the Registrant's right to terminate an account. For additions greater than \$100,000 deposited into an account after the inception of a quarter, the fee payable with respect to such assets will be prorated based on the number of days remaining in the quarter. Clients may withdraw account assets on notice to the Registrant, subject to the usual and customary securities settlement procedures. For partial withdrawals over \$100,000 within a billing period, we shall credit our unearned fee towards the next quarter's fee. However, Avondale designs its portfolios as long-term investments and asset withdrawals may impair the achievement of a Client's investment objectives.

Additions may be in cash or securities provided that Avondale reserves the right to liquidate any transferred securities, or decline to accept particular securities into a Client's account. Avondale may consult with its Clients about the options and ramifications of transferring securities. However, Clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.



### ***Termination Provisions, Refunds and Assignment***

Prior to engaging Avondale to provide financial planning and/or consulting services, the Client will be required to enter into a written agreement with Avondale setting forth the terms and conditions of the engagement and describing the scope of the services to be provided and the portion of the fee that is due from the Client prior to Avondale commencing services. Either party may terminate the agreement by written notice to the other. In the event the Client terminates Avondale's financial planning and/or consulting services, the balance of Avondale's unearned fees (if any) shall be refunded to the Client. If termination occurs within five business days of entering into an agreement for such services the Client shall be entitled to a full refund.

*Assignment* of this Agreement by Avondale is prohibited without the written consent of the Client. Transactions that do not result in a change of actual control or management of Avondale shall not be considered an assignment.

### ***Additional Fees***

Clients may incur certain charges imposed by the *Financial Institution(s)* and other third parties such as custodial fees, charges imposed directly by a mutual fund or exchange traded fund in the account, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), 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. Additionally, for assets outside of any wrap fee programs, Clients may incur transaction fees. Such charges and fees are exclusive of and in addition to Avondale's fee.

Item 12 further describes the factors that Avondale considers in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of their compensation.

Avondale's Agreement and/or the separate agreement with the *Financial Institution(s)* may authorize Avondale through the *Financial Institution(s)* to debit the Client's account for the amount of Avondale's fee and to directly remit that management fee to Avondale in accordance with applicable custody rules.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Avondale does not charge performance-based fees for its investment advisory services. The fees charged by Avondale are as described in Item 5 – Fees and Compensation above and are not based upon the capital appreciation of the funds or securities held by any Client.

Avondale does not manage any proprietary investment funds or limited partnerships (for example, a mutual fund or a hedge fund) and has no financial incentive to recommend any particular investment options to its Clients.

## **ITEM 7: TYPES OF CLIENTS**

Avondale will provide advisory services to various types of Clients, including:

- ***Individuals:*** Avondale will provide advisory services for their personal accounts.

- **High Net Worth Individuals:** The majority of Avondale Clients seek comprehensive financial planning and tax advantaged portfolio management. This may include trust accounts and family partnerships.
- **Small Businesses and Non-Profits:** Occasionally, Avondale will provide advisory services to small businesses and non-profits seeking financial planning or management services for their organization's interests.
- **Pension and Profit Sharing Plans (but not Plan Participants):** On occasion, Avondale may offer pension-consulting services to employee benefit plans of small-to medium-sized companies and their fiduciaries based upon an analysis of the needs of the plan. In general, these services may include an existing plan review, asset allocation advice, *Portfolio Management Services*, *Investment Performance Monitoring*, and/or ongoing consulting. We may have agreements with third-party administrators ("TPAs") to provide some of these services as part of the TPA's agreement with the plan. Our firm and the TPA may share in fees charged to the plan for their respective services rendered to the plan.

### ***ERISA Clients***

With regards to retirement plans that are subject to the Employee Retirement Income Security Act of 1974 ("ERISA"), Avondale generally assumes the role of a fiduciary with respect to such ERISA plans. Additionally, the Responsible Plan Fiduciary for ERISA plans will be provided with an ERISA Fee and Services Disclosure pursuant to Section 408(b)(2) of ERISA, prior to the ERISA Plan engaging Avondale for advisory services.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

For *Financial Planning Services*, Avondale analyzes the Client's financial goals and objectives, income and spending, savings and investments, risks and insurance needs, asset allocation, and tax implications. This analysis seeks to ensure that the Client's needs are addressed while making progress toward their financial goals and objectives.

For *Portfolio Management Services*, Avondale uses a dynamic asset allocation, top-down management process. The Avondale Wealth Management Investment Committee meets monthly to evaluate current U.S. market conditions and the state of the global economy. These meetings consist of: evaluation of macro-economic indicators, sub-asset class valuations, and manager performance reviews.

In its macro-economic analysis, Avondale seeks to determine the state of the economy by monitoring five different indicators: Employment, Economic Growth, Economic Policy, Asset Valuation, and Inflation. By analyzing various economic reports, the Investment Committee develops an acute understanding of global markets and makes sound investment decisions accordingly. Despite the macro-economic analysis performed by Avondale, any investment in securities carries market risk and investors may lose their principal investment.

In its sub-asset class valuations, Avondale seeks to determine appropriate entry and exit points to numerous unique asset classes. This is done by following the P/E ratios and P/B ratios of certain equity indexes and OAS of certain fixed income indexes. The committee attempts to determine future direction of prices through the study of past index data and future projections. Despite the sub-asset class valuations performed by Avondale, any investment in securities carries market risk and investors may lose their principal investment.

In its manager performance reviews, Avondale continuously monitors all current managers on their investment platform. This is done by tracking performance on a monthly, yearly, and historical basis. Managers are compared against both their respective benchmarks and against their respective peers. In addition to monitoring current managers, the committee keeps a manager bench of investments they have both used in the past, or will possibly use in the future. This allows the committee to act quickly and proactively when opportunities arise. Despite the manager performance reviews performed by Avondale, any investment in securities carries market risk and investors may lose their principal investment.

The investment strategies used will vary depending on the Client's financial goals and risk tolerance. Avondale will manage them inside of one of five models. Avondale refers to their models as MAPs (Multi Asset Portfolios). The five models are Preservation, Conservative, Balanced, Growth, and Aggressive. Each model has a tax-sensitive flavor for non-retirement accounts and taxable flavor for retirement accounts. As well, Avondale manages condensed versions of the five models for accounts under \$50,000 in value. Avondale will manage money actively and dynamically utilizing primarily: mutual funds, exchange-traded funds (ETFs), and index funds. However, in rare instances, Avondale may invest in exchange-listed stocks, individual bonds, closed-end funds, covered calls, protective puts, stock options, or other such liquid securities.

Our investment strategies include the following:

- Conservative Benchmark: 20% S&P 500, 5% MSCI EAFE, 5% MSCI Emerging Markets, 70% Barclays Aggregate Bond
- Balanced Benchmark: 30% S&P 500, 10% MSCI EAFE, 10% MSCI Emerging Markets, 50% Barclays Aggregate Bond
- Growth Benchmark: 40% S&P 500, 15% MSCI EAFE, 15% MSCI Emerging Markets, 30% Barclays Aggregate Bond
- Aggressive Benchmark: 50% S&P 500, 20% MSCI EAFE, 20% MSCI Emerging Markets, 10% Barclays Aggregate Bond
- Conservative TS Benchmark: 20% S&P 500, 5% MSCI EAFE, 5% MSCI Emerging Markets, 70% Barclays Muni TR Bond Index
- Balanced TS Benchmark: 30% S&P 500, 10% MSCI EAFE, 10% MSCI Emerging Markets, 50% Barclays Muni TR Bond Index
- Growth TS Benchmark: 40% S&P 500, 15% MSCI EAFE, 15% MSCI Emerging Markets, 30% Barclays Muni TR Bond Index
- Aggressive TS Benchmark: 50% S&P 500, 20% MSCI EAFE, 20% MSCI Emerging Markets, 10% Barclays Muni TR Bond Index
- Preservation Benchmark: 100% Barclays Aggregate Bond
- Preservation TS Benchmark: 100% Barclays Muni TR Bond Index

Past performance is not a guarantee of future returns. Investing in securities and other investments involve a risk of loss that each Client should understand and be willing to bear. Clients are reminded to discuss these risks with their Advisor.

## **ITEM 9: DISCIPLINARY INFORMATION**

Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the registered investment Adviser or the integrity of its management. Neither Avondale, its principals, nor its employees have a history of any legal or disciplinary action.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **Other Financial Industry Activities or Affiliates - *Individuals***

In the event the Client desires, the Client can engage certain persons “*associated*” with Avondale (but not Avondale) to render securities brokerage services under a commission arrangement. Under this arrangement, the Client may implement securities transactions through certain of Avondale’s *Advisory Affiliates* (as defined below), in their respective individual capacities as registered representatives of Purshe Kaplan Sterling Investments, Inc. (“*PKS*”), an SEC registered broker-dealer and member of the FINRA. Brokerage commissions may be charged by *PKS* to effect these securities transactions and thereafter, a portion of these commissions may be paid by *PKS* to such *Advisory Affiliates*. Prior to effecting any transactions, the Client will be required to enter into a new account agreement with *PKS*. The brokerage commissions charged by *PKS* may be higher or lower than those charged by other broker-dealers. In addition, certain of Avondale’s *Advisory Affiliates* (as applicable), may also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the Client maintains the mutual fund investment.

While Avondale does not sell such securities products to its investment advisory Clients, the Registrant does permit its *Advisory Affiliates*, in their individual capacities as registered Representatives of *PKS*, to sell securities products to its investment advisory Clients. Specifically, Justin Jacobs and Sam McGee are Registered Representative Agents of *PKS*. A conflict of interest exists to the extent that Avondale recommends the purchase of securities where the Registrant’s *Advisory Affiliates* receive commissions or other additional compensation as a result of Avondale’s recommendations.

### **Insurance Company or Agency**

While Avondale is not an insurance agency, IA Reps of Avondale may be licensed as independent insurance agents and have affiliations with the various insurance companies whose products they sell. Specifically, McGee and Jacobs are licensed as independent insurance agents in Texas. As IA Reps of Avondale, they may recommend insurance products and may also, as independent insurance agents, sell those recommended insurance products to Clients. When such recommendations or sales are made, a conflict of interest exists as the Insurance licensed IA Reps earn insurance commissions for the sale of those products, which may create an incentive to recommend such products. Avondale requires that all IA Reps disclose this conflict of interest when such recommendations are made. Also, Avondale requires IA Reps to disclose that Clients may purchase recommended insurance products from other insurance agents not affiliated with Avondale.

### **Avondale Holdings LLC**

Sam McGee and Justin Jacobs are owners of Avondale Holdings LLC, a holding company for owner occupied real estate. Time spent on this activity is less than 1% of their time.

## **ITEM 11: CODE OF ETHICS**

### ***CODE OF ETHICS***

Pursuant to SEC Rule 204A-1, Avondale has a Code of Ethics that promotes the fiduciary duty of Avondale and its IA Reps. The Code of Ethics articulates the importance of trust as a foundation to the relationship between an investment adviser and its Clients and establishes policies and procedures to ensure that Avondale and its IA Reps place the interests of the Clients first. The Code of Ethics requires that Avondale and its IA Reps adhere to all applicable securities and related laws and regulations. The Code of Ethics also requires Avondale and its IA Reps to follow industry “best practices” involving:

confidential information, suitability of investments, personal trading on the part of Avondale and its IA Reps, outside business activities of IA Reps, and the disclosure of conflicts of interest.

A copy of the Adviser's Code of Ethics is available upon request for any Client or prospective Client, free of charge.

### ***PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING***

While Avondale has no proprietary interest in Client transactions, its IA Reps may have a financial interest in those recommended transactions that involve the purchase of an insurance and/or securities product. As explained in the "OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS" section (page 9), McGee and Jacobs are licensed as independent insurance agents in Texas and registered representatives of a broker/dealer. As IA Reps of Avondale, they may recommend insurance and/or securities products and may also, as independent insurance agents and registered representatives, sell those recommended insurance and/or securities products to Advisory Clients. When such recommendations or sales are made, a conflict of interest exists as the Insurance Licensed IA Reps and/or Registered Reps will earn insurance and/or brokerage commissions for the sale of those products, which may create an incentive to recommend such products. Avondale requires that all IA Reps disclose this conflict of interest when such recommendations are made. Also, Avondale requires IA Reps to disclose that Advisory Clients may purchase recommended insurance and/or securities products from other insurance agents and/or registered representatives not affiliated with Avondale.

Additionally, IA Reps of Avondale may have an interest in Client transactions insofar as they may personally invest in the same securities recommended to Advisory Clients. These transactions involve a conflict of interest as Avondale or IA Reps may benefit from an increase in price from subsequent purchases by Advisory Clients. To address this conflict of interest, Avondale and its IA Reps will adhere to the following procedures regarding their personal trading:

1. Avondale and its IA reps may trade in the same securities with client accounts on an aggregated basis when consistent with Avondale's obligation of best execution. A variety of methods will be used and diligence will be maintained to insure that any trades made in an employee account does not receive preferential treatment over trades made in client accounts;
2. Avondale and its IA Reps will mostly recommend investments that are widely traded;
3. In the rare instance where private placement offerings are recommended to Clients and an IA Rep also has an ownership interest in the private offering, full disclosure will be given so the Client fully understands that conflict of interest; and
4. Neither Advisory Clients nor IA Reps will have enough funds invested in any given security to move the market in that particular security.

## **ITEM 12: BROKERAGE PRACTICES**

Avondale does not have discretionary authority to select the broker-dealer/custodian for custodial and execution services or the administrator for defined contribution accounts. The Client will select the broker-dealer or custodian (herein the "custodian") to safeguard Client assets and authorize Avondale to direct trades to this custodian as agreed in the *Investment Management Agreement*. Further, Avondale does not have the discretionary authority to negotiate commissions on behalf of our Clients on a trade-by-trade basis.

While Avondale does not have the discretion to select the custodian, Avondale may recommend a broker to the Client for the purpose of executing trades at a previously negotiated discount rate. For this service,

Avondale shall generally recommend that Clients utilize the brokerage and clearing services of Fidelity Institutional Wealth Services and its affiliates (collectively referred to as “*Fidelity*”).

Factors which Avondale considers in recommending *Fidelity* or any other broker-dealer, to Clients include their respective financial strength, reputation, execution, pricing, research, and service. *Fidelity* enables Avondale to obtain many mutual funds without transaction charges and other securities at nominal transaction charges.

The transaction fees charged by *Fidelity* may be higher or lower than those charged by other broker-dealers. The transaction fees paid by Avondale’s Clients shall comply with Avondale’s duty to obtain “best execution”. However, a Client may pay a transaction fee that is higher than another qualified broker-dealer might charge to effect the same transaction where Avondale determines, in good faith, that the transaction fee is reasonable in relation to the value of the brokerage and research services received.

Avondale may receive from *Fidelity*, without cost to Avondale, computer software and related systems support, which allow Avondale to better monitor Client accounts maintained at *Fidelity*. Avondale may receive the software and related support without cost because Avondale renders investment management services to Clients that maintain assets at *Fidelity*. The software and related systems support may benefit Avondale, but not its Clients directly.

Additionally, Avondale may receive the following benefits from *Fidelity* through the Fidelity Institutional Wealth Services Group: receipt of duplicate Client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Institutional Wealth Services Group participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to Client accounts; and access to an electronic communication network for Client order entry and account information.

### **Conflict of Interest**

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

### **Best Execution**

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer’s services, including among others, the value of research provided, execution capability, transaction fee rates, and responsiveness. Consistent with the foregoing, while Avondale will seek competitive rates, it may not necessarily obtain the lowest possible transaction fee rates for Client transactions.

## **ITEM 13: REVIEW OF ACCOUNTS**

For Portfolio Management Clients, the Principals of the firm, Sam McGee and Justin Jacobs review all Clients’ account holdings daily, but reviews individual Client accounts on a monthly basis in conjunction with Avondale’s monthly investment committee meetings and subsequent account rebalancing. Portfolio Management Clients are encouraged to meet with Avondale at least once per quarter to review their account as a whole, ensuring that the management aligns with their current financial condition, goals and objectives.

For Financial Planning Clients, Avondale reviews the Client’s account in the initial preparation of a



*Comprehensive Financial Plan.* Financial Planning Clients are encouraged to meet with Avondale at least once per year to review their account as a whole, ensuring that their financial plan aligns with their current financial condition, goals and objectives.

Performance results will be provided to Clients on a quarterly basis. When such reports are prepared, each quarterly statement will summarize the specific investments currently held and the value of Client's portfolio. In addition, Clients will generally receive monthly reports from the custodian detailing their individual assets and all activity in the client's account, unless the client requests a more frequent basis. Some less active accounts may only receive quarterly reports from the custodian.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

Avondale does not use or employ the services of a solicitor, nor does it directly compensate an individual or entity for these services.

## **ITEM 15: CUSTODY**

Clients will engage an independent broker-dealer and custodian to maintain their accounts and so Avondale will not have *physical* custody of Clients' assets, monies, or securities. However, since Avondale may withdraw advisory fees directly from Clients' accounts (as described in the "FEES AND COMPENSATION" on pages 7, 8 and 9 of this Brochure), Avondale is considered to have custody in a limited capacity. Again, this custody is due solely to the direct withdrawal of fees and does not entail all of the same legal and regulatory requirements as an investment adviser with physical custody of Clients' assets, monies, or securities. Accordingly, Clients will only receive account statements from their broker-dealer and custodian (though Avondale may send invoices or other communication), at least quarterly. Avondale urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **ITEM 16: INVESTMENT DISCRETION**

As described in the "ADVISORY BUSINESS" section (pages 4-6 of this Disclosure Brochure), Avondale will have investment discretion for those Advisory Clients that elect *Discretionary Portfolio Management Services*. Clients will select this option specifically in Avondale's *Investment Management Agreement* and will sign a trading authorization form with their broker-dealer/custodian.

When Advisory Clients grant discretionary authority to Avondale, Clients may still place restrictions on the advisor, such as a prohibition on investing in specific securities, industries, or markets that the Client chooses. Additionally, unless specifically instructed otherwise by the Client, Avondale seeks to maintain diversified investment portfolios for its Portfolio Management Clients. Avondale executes an agreement with each Client, which sets forth the authority to buy and sell securities in whatever amounts are determined to be appropriate for the account and whether such transactions are with, or without, prior approval by the Client.

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

For any security that entails a voting right in the underlying company, Avondale will not have or accept authority to vote Client securities. All voting issues, proxies, and solicitations will be communicated to Advisory Clients through the Client's broker-dealer/custodian. Additionally, Avondale will not provide advice to Clients regarding their voting of proxies. Any proxy solicitations received at Avondale's place of business will be immediately forwarded to the Client for their evaluation and decision.

## **ITEM 18: FINANCIAL INFORMATION**

Registered Investment Advisers are required to provide you with certain financial information or disclosures regarding their financial condition. Avondale has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of any bankruptcy proceedings. We do not require or solicit prepayment of more than \$1200 in fees per client and six months or more in advance.

## **ITEM 19: REQUIREMENTS FOR STATE REGISTERED ADVISORS**

N/A

### **Business Continuity Plan**

We have a Business Continuity Plan that addresses how the Firm will respond to events that may disrupt its business. If the main telephone line is inactive, the emergency number is 512-826-8433. If the emergency line is down, please contact your custodian. We will resume operations as quickly as possible (preferably within twenty-four hours) depending on the severity of the business disruption. Our Business Continuity Plan covers data backup and recovery, mission critical systems financial and operational assessments, alternative communications, alternate business locations, regulatory reporting and the assurance of prompt access to funds and securities for our customers. Additional details regarding the firm's Business Continuity Plan are available upon request.