

Item 1 – Cover Page

**Part 2A of Form ADV
Brochure for:**

Avanath Capital Management, LLC

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This brochure provides information about the qualifications and business practices of Avanath Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at (949) 269-4714 or info@avanath.com. 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.

Registration of an Investment Adviser does not imply any certain level of skill or training.

Additional information about Avanath Capital Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

There have been no material changes to Avanath Capital Management’s advisory business since the last brochure filed on September 5, 2014. This brochure only updates Item 4 – Regulatory Assets Under Management.

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Item 4 – Advisory Business

Avanath Capital Management, LLC (“Avanath,” or “the Firm,”), a Delaware limited liability company, is a vertically integrated, real estate investment Firm. Avanath was founded and is principally owned by Daryl J. Carter in 2008. The Firm has an investment focus on the affordable/workforce multifamily sector, with an emphasis on properties that were originally developed under the Low Income Housing Tax Credit (“LIHTC”) program or with other related structures. Avanath is comprised of a dedicated group of industry professionals with experience in building and managing real estate enterprises. Avanath has an Investor-centric, vertically integrated, business model that aligns long term interests of Investors with Avanath’s investment strategy and long term value of the Firm.

Avanath currently provides investment advisory services to two Funds: Avanath Affordable Housing I, LLC (“Fund I”), and Avanath Affordable Housing II, LLC (“Fund II”) (each a “Fund,” collectively “the Funds”).

The Funds offer limited liability company interests to certain qualified investors as described in response to Item 7, below. Such investors or prospective investors are referred to herein as “Investors.”

The Firm provides its investment advice on the strategy and restrictions (if any) set forth in the applicable Fund offering memorandum, organizational documents and subscription agreements, as the case may be. Investment advice is provided directly to the Fund by the Firm or an affiliate of the Firm (e.g., the General Partner or Managing Member) and not individually to the limited partners or members. The Firm may add to or change investment strategies over time at its sole discretion, within the parameters of the applicable Fund governing documents. The General Partner or Managing Member's level of investment discretion with regard to certain of the non-Fund Partnerships is not fully discretionary as specified in the applicable governing documents.

Advisory services are tailored to achieve the Clients’ investment objectives. Generally, Avanath has the authority to select which and how many securities and other instruments to buy or sell without consultation with the Clients or their Investors.

Avanath does not participate in wrap fee programs.

Avanath manages approximately \$503,100,000 in assets on a discretionary basis, calculated based on the gross asset value of such assets as of December 31, 2014. Avanath does not manage any assets on a nondiscretionary basis, calculated based on the gross asset value of such assets as of December 31, 2014.

Item 5 – Fees and Compensation

Avanath does not solicit or require prepayment of more than \$1,200 in fees six months or more in advance.

Management and Performance Fees

For each of the Funds managed by Avanath, the Investors (other than the General Partners and their affiliates) pay to the Adviser an annual advisory fee (the “Management Fee”) of 1.5% quarterly in advance. The Management Fee arrangement is detailed in the applicable governing

documents of each Fund. At Avanath's discretion, the Management Fee may be reduced for certain Investors.

Avanath generally receives a performance allocation equal to a percentage of the net income allocated to each Investor for the year, subject to a "high water mark" procedure such that the incentive allocation is taken only to the extent net income allocated to that Investor exceeds any cumulative losses that were allocated to that Investor for earlier periods and that have not been recovered. This incentive allocation is generally 20% and is typically made at the end of each calendar year.

The incentive allocation will only be charged to accounts of those Investors who are "qualified clients" as defined in Rule 205-3 of the Investment Advisers Act of 1940.

Fees and other compensation are negotiable in certain circumstances and arrangements with any particular Investor may vary. Although Avanath believes its fees are competitive, lower fees for comparable services may be available from other investment advisers.

Fees, Costs, and Expenses

Avanath's management fees are not inclusive of all the fees that Investors may bear. The Funds are responsible for costs and expenses incurred for maintaining the operations of the Funds, including legal fees, accounting fees, other out-of-pocket fees and expenses and in connection with organizing and raising capital for the Funds up to certain limits. This list is not intended to be exhaustive; prospective Investors in the Funds are advised to review the applicable Fund offering materials and organization agreements for a more extensive description of the fees and expenses associated with investments in the Funds.

Notwithstanding the above, any placement agent fees and certain organizational costs above specified thresholds incurred by the Firm or its affiliated entities are not borne by the Fund, as specified in the governing documents for each of the Funds.

On certain investments of the Funds, an affiliate of Avanath is hired to provide ongoing property management, construction management and leasing services and paid a market fee for doing so. Those fees and services are discussed in the governing documents of the applicable Fund and are subject to review and approval by the Advisory Committee of the respective Fund. These fees may create an incentive for the Adviser to hold investments for longer than it may otherwise hold. This may result in lower returns for the Funds. Additional details concerning affiliates of the Adviser are discussed below in Item 10.

Outside Compensation for the Sale of Securities

Neither Avanath nor its supervised persons accepts compensation for the sale of securities or other investment products outside of its association with Avanath.

The foregoing response represents Avanath's basic compensation arrangements. The management fees and incentive allocations described are structured to comply with Rule 205-3 under the Advisers Act and applicable state laws.

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

As discussed in Item 5, in addition to management fees, Avanath generally receives a performance allocation equal to a percentage of the net income allocated to each Investor for the year.

The performance allocation may provide a possible incentive for Avanath to make riskier or more speculative investments on behalf of a Client than those that would be recommended under a different fee arrangement. In addition, this arrangement may cause Clients to pay a greater expense than if such fees were not charged. Notwithstanding this potential incentive, Avanath will evaluate investments in a manner that it considers to be in the best interest of the Clients, given those Clients' investment objectives, investment strategies, suitability of the investment, and risk profile.

To the extent that there may be differences in Avanath's compensation arrangements, such circumstances could create an incentive for Avanath to manage Client portfolios so as to favor a portfolio that pays performance-based compensation over one that did not. Notwithstanding this conflict, Avanath will allocate transactions and opportunities among the Clients' accounts in a manner it believes to be as equitable as possible, considering each Client's objectives, programs, limitations, and capital available for investment.

Item 7 – Types of Clients

Avanath's clients are the Funds, structured as limited liability companies that are exempt from registration as an investment company under U.S. law by virtue of Section 3(c)(7) of the Investment Company Act of 1940.

The Investor base (i.e. members) consists of highly sophisticated high net participants such as high net worth individuals or institutional Investors. These Investors must meet certain minimum financial requirements in order to participate in the Funds.

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

Avanath has an investment focus on the affordable/workforce multifamily sector. The strategies of the Funds are to acquire affordable apartment properties that were originally developed under the LIHTC program or with other affordable structures. The Firm focuses on investment opportunities in the multifamily housing space, utilizing the 33-years of experience of its founder Daryl J. Carter has in building and managing successful real estate enterprises as well as the expertise of the Firm regarding public finance, government regulations, tax structuring, and apartment property and market underwriting. The Avanath management team has an average of 25 years of real estate experience. The team's experience has an emphasis in affordable/workforce housing and urban multifamily acquisitions.

Methods of Analysis

Avanath utilizes various criteria in evaluating an individual real estate or real estate related opportunity for investment. Examples of these criteria may include:

- Investment goals for the particular Fund

- Evaluations of the specific economic cycle and or market opportunity
- Measuring risk in various geographic markets under consideration for investment
- Underwriting investment opportunities and mitigating risks in downside scenarios
- Mitigating economic, legal, environmental or other specific risks the due diligence process
- Ability to add value through effective property management

Risks Related to Investment Strategy and Method of Analysis

Investing in securities involves risk of loss that clients should be prepared to bear. Some risks associated with the Firm's overall strategy may include:

- There is no assurance that the operations of a Fund will be profitable or that cash from operations will be available for distribution to Investors. Because real estate, like many other types of long-term investments, historically has experienced significant fluctuations and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of real property interests. The marketability and value of the real property interests will depend on many factors beyond the control of a Fund, including, without limitation: (i) changes in general or local economic conditions; (ii) changes in supply of or demand for competing properties in an area (e.g., as a result of over-building); (iii) changes in interest rates; (iv) the promulgation and enforcement of governmental regulations relating to land-use and zoning restrictions, environmental protection and occupational safety; (v) unavailability of mortgage Funds which may render the sale of a property difficult; (vi) the financial condition of tenants, buyers and sellers of properties; (vii) changes in real estate tax rates and other operating expenses; (viii) the imposition of rent controls; (ix) energy and supply shortages; (x) various uninsured or uninsurable risks; and (xi) acts of God, war or terrorism or natural disasters and uninsurable losses. Since investments in real estate generally are not liquid, there is no assurance that there will be a ready market for real property interests held by a Fund. In addition, general economic conditions in the United States and abroad, as well as conditions of domestic and international financial markets, may adversely affect operations of a Fund.
- A Fund may encounter competition for real property investments from numerous other real estate investment partnerships, limited liability companies and trusts, as well as from individuals, corporations, bank and insurance company investment accounts, non-U.S. Investors and other entities engaged in real estate investment activities, including, under certain circumstances, the Firm or its affiliates.
- Although the Avanath and/or its employees may have been successful in locating suitable investments in the past, a Fund may be unable to find a sufficient number of attractive opportunities to meet its investment objectives.
- Because a Fund is generally allowed to concentrate its investments in limited geographic areas and significant percentages of its commitments in a single investment, the overall adverse impact on a Fund of adverse movements in the value of a single property will be considerably greater than if a Fund were not permitted to concentrate its investments to such an extent. In addition, a Fund may make investments in some transactions with the intent of refinancing or selling a portion thereof and in such cases, there will be the risk that a Fund will be unable to complete the refinancing or sale which could lead to increased risk as a result of a Fund having an unintended long-term investment and reduced diversification.
- Avanath may make substantial investments in nonperforming or other troubled assets that involve a degree of financial risk and there can be no assurance that a Fund's internal rate of return objectives will be realized or that there will be any return of capital.

Furthermore, investments in properties operating in workout modes or under Chapter 11 of the Bankruptcy Code may, in certain circumstances, be subject to additional potential liabilities that could exceed the value of the Investor's original investment, including equitable subordination and/or disallowance of claims or lender liability. In addition, under certain circumstances, payments to a Fund and distributions by a Fund to the Investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment under applicable law.

- The Firm may cause a Fund to incur nonrecourse or recourse debt to finance purchases of real property interests. However, market and interest rate fluctuations may decrease significantly the availability and increase the cost of real estate mortgage loans. While such leveraging will increase the proceeds available for investment by a Fund, it will also increase the risk of loss on a leveraged property. Furthermore, subsequent reductions in cash flow from underlying properties could cause the debt service coverage ratios to substantially exceed the limits set by a Fund. If a Fund defaults on indebtedness secured by a given property, the lender may foreclose and a Fund could lose its entire investment in the given property. In addition, recourse debt subjects the assets of a Fund and the managing members to risk of loss.
- Interests represent highly illiquid investments and should only be acquired by Investors able to commit their Funds for an indefinite period of time.
- Assets may not achieve projected rental growth due to lower than anticipated average monthly income.
- Asset operating expense growth may exceed projections.
- Upon exit, assets may not achieve their originally projected exit capitalization rates.

An investment in a Fund or Partnership entails a high degree of risk and is suitable only for sophisticated institutions and individuals for whom an investment in a Fund or Partnership does not represent a complete investment program. An investment in a Fund or Partnership requires the financial ability and willingness to accept the substantial risks and lack of liquidity inherent in such investment. Investors in a Fund or Partnership must be prepared to bear such risks for an indefinite period of time. Prospective Investors to a Fund or Partnerships should carefully review the applicable governing documents. Prospective Investors are also encouraged to consult their own legal, investment, tax, and other advisers, and the applicable offering documents, as to whether an investment in a Fund or Partnership is appropriate for them.

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 Avanath or the integrity of Avanath's management. Avanath and its management personnel have no reportable disciplinary events to disclose.

Item 10 – Other Financial Industry Activities and Affiliations

Avanath has vertically integrated operations. The Firm's primary business purpose is to provide investment advisory services to the Funds. In addition to providing investment advisory services, Avanath has affiliated entities that provide property management services to the real estate properties held by the Funds for investment. The management team of the Firm devotes a substantial amount of their time and focus to the Funds until termination of the Funds' commitment period as defined in the applicable governing documents.

McKinley/Avanath Property Management Co. is an affiliate of the advisor, which provides property management services for the respective Fund's real estate investments. Fee arrangements for the services provided by McKinley/Avanath Property Management Co. are discussed in more detail in the governing documents of the respective Funds.

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

Avanath has adopted a Code of Ethics ("Code") that describes the standards of business conduct that it requires of employees and accounts owned predominantly by persons associated with Avanath, and establishes procedures intended to prevent Avanath, and its personnel and certain of their relatives, from inappropriately benefiting from Avanath's relationships with its clients.

The Code provides that:

- i. Avanath's clients' interests come before Avanath's or employees' interests;
- ii. Avanath must disclose to clients all material facts about conflicts of which it is aware between Avanath's and its employees' interests on the one hand and clients' interests on the other;
- iii. employees must operate on Avanath's and their own behalf consistently with Avanath's disclosures to and arrangements with clients regarding conflicts and its efforts to manage the impacts of those conflicts;
- iv. Avanath and its employees must not take inappropriate advantage of Avanath's clients or their positions of trust with or responsibility to clients; and
- v. Avanath and its employees must comply with all applicable securities laws. The Code generally prohibits employees from trading in any securities held by client accounts and requires employees to report personal securities holdings on an annual basis.

In addition, Avanath monitors all employees' securities transactions: employees must arrange for duplicate copies of their brokerage statements and trade confirmations to be sent to the Chief Compliance Officer. The Code includes procedures for and restrictions on employee trading intended to prevent employees from benefiting from, or appearing to benefit from, any price movement that may be caused by client transactions or Avanath's recommendations regarding securities. Among other things, these include requirements that employees make a written request for and receive clearance from Avanath's Chief Compliance Officer (or his or her designee) before they buy or sell any security (other than certain government securities, shares of mutual Funds not managed by Avanath, and certain other types of securities that Avanath does not believe create a potential for conflicts of interest). Pre-cleared transactions must be completed within a specified time frame. The Code also contains restrictions on and procedures to prevent inappropriate trading while Avanath is in possession of material nonpublic information.

Avanath will provide a copy of its Code of Ethics to any client or prospective client upon request. Such a request may be made by submitting a written request to Avanath at the address on the cover page to this brochure.

Item 12 – Brokerage Practices

Avanath does not currently have a contractual relationship with or utilize the services of any

securities broker-dealers in connection with the real estate transactions in which it engages on behalf of the Funds. The Firm's advisory business generally does not involve securities broker dealers, or directing clients to execute transactions (through broker dealers or otherwise), nor do clients direct the Firm to engage specific securities..

Avanath generally engages a real estate broker in connection with the disposition or leasing of a real estate asset held on behalf of the Funds, including its own affiliates. The Firm selects the brokerage company and the particular real estate broker that the Firm believes will best represent the interests of the Funds.

Item 13 – Review of Accounts

Avanath's investment professionals provide ongoing oversight and supervision of those individuals responsible for the asset management and ongoing operations of the investments. Business plans are updated at least annually by asset management or the Avanath's operating partners, as applicable, and significant operations and assumptions are discussed with investment professionals. Avanath's investment professionals periodically review the investments held by the Funds to ensure compliance with the applicable investment guidelines and restrictions. In the case of the Funds, an Investment Committee must approve any acquisitions and any dispositions of Fund investments as specified in the Fund operating agreements. Ongoing performance and reporting for individual Funds or Partnerships are provided to and/or discussed with Investors as provided for in the applicable governing documents.

Item 14 – Client Referrals and Other Compensation

Registered investment advisers are required to disclose all material facts regarding any compensation or other benefits it receives, directly or indirectly, for Client referrals.

Avanath does not receive any economic benefit from a person who is not a Client for providing investment advice or other advisory services to Avanath's Clients. Avanath does not directly or indirectly compensate any person who is not a supervised person for Client referrals.

Item 15 – Custody

Avanath would be deemed to have custody of advisory clients' funds or securities, but for the deduction of advisory fees directly from clients' accounts.

Avanath maintains custody of each client's assets through City National Bank. City National Bank is a "qualified custodian" and maintains custody of each client's funds and securities in a separate account for that client.

At the end of each Fiscal Year, each of Avanath's Funds has its financial statements examined and certified by an independent certified public accountant. Copies of the audited financial statements are furnished to each limited partner or Investor of a Fund as soon as practicable after the end of each Fiscal Year. Unaudited quarterly performance reports also will be provided to each partner or Investor in an Avanath Fund.

Item 16 – Investment Discretion

Avanath has broad discretion, without limitation, to determine the:

- securities to be bought or sold for the Fund account(s);
- amount of securities to be bought or sold for the Fund account(s);
- real estate broker to be used for a purchase or sale of securities for the Fund account(s);
- commission rates to be paid to a real estate broker for the Fund's securities transaction(s).

Item 17 – Voting Client Securities

The Firm invests on behalf of the Funds solely in real estate and real estate related assets. The Firm generally does not hold publicly-traded securities which possess voting rights on behalf of the Funds. The Adviser maintains proxy voting policies as required should the Firm be required to vote proxies on behalf of the Funds.

Item 18 – Financial Information

Avanath has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients. Avanath has not been the subject of a bankruptcy petition. Furthermore, the Firm does not believe there are any financial conditions that are reasonable likely to impair its ability to meet contractual commitments to its clients

Item 19 – Requirements for State-Registered Advisers

Avanath is seeking to register with the SEC and not with any state. Therefore, Avanath has no information applicable to this item.