

Part 2A of Form ADV

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March 31, 2011

This brochure provides information about the qualifications and business practices of Avenir Corporation (“Avenir”), an investment adviser registered with the United States Securities and Exchange Commission (“SEC”). If you have any questions about the contents of this brochure, please contact us at (202) 659-4427.

The information in this brochure has not been approved or verified by the SEC or by any state securities authority. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

Additional information about Avenir Corporation and its principals is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2           Material Changes**

This brochure, dated March 31, 2011, is prepared according to the SEC's new requirements and rules as set forth on July 28, 2010. As such, this brochure is materially different in structure and includes information that our previous brochure did not require.

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## **Item 4            Advisory Business**

Avenir Corporation is an investment management firm registered with the Securities and Exchange Commission. The company was incorporated in July 1980, and functioned primarily as a family office prior to registering with the SEC on July 22, 1988, at which point the firm began accepting new accounts. Avenir is majority owned by its three active portfolio managers, Charles G. Mackall, Jr., Peter C. Keefe, and James H. Rooney.

Avenir provides investment management services on a discretionary basis. These services include the selection of securities for purchase or sale, placement of orders for securities transactions, and related services. Avenir's services do not include processing claims relating to class action lawsuits or bankruptcies. Avenir provides advisory services for a diverse client base, ranging from taxable individual and family accounts, trusts and partnerships to non-taxable pension accounts and foundations. Avenir's investment style is a highly disciplined core value strategy focused on capital preservation and real rates of return, taking into consideration inflation and taxes. Avenir's portfolios are relatively concentrated, reflecting Avenir's belief that portfolios comprised of a limited number of superior investment opportunities combined with a high margin of safety can achieve better overall results than broadly diversified portfolios. Avenir understands that each client has special requirements and goals, and therefore clients may impose restrictions on investing in certain securities or types of securities.

Avenir provides investment management services to certain clients who participate in wrap fee programs. Wrap fee programs are typically characterized by a bundled fee arrangement that covers both the investment manager's services (i.e. those provided by Avenir) and any advisory fees paid to the wrap sponsor, as well as all brokerage commissions, custodial costs and related administrative costs. The total fees charged by these programs are set by the sponsoring broker, not by Avenir. From Avenir's perspective, clients with wrap fee arrangements receive the same level of investment advisory services as non-wrap fee clients.

Avenir managed approximately \$958,300,000 of discretionary assets as of March 31, 2011.

## **Item 5            Fees and Compensation**

Avenir charges each account an investment management fee based on the value of the client's assets under management. The standard fee is 1% of assets under management payable quarterly (0.25%) in advance. The minimum fee is \$2,500 per quarter. Under certain circumstances minimum fees may be waived. The first quarterly fee payment may be pro-rated in advance or in arrears in the event the account is funded on any day other than the last business day of the month. Fees are typically deducted directly from the client's account; however, the client may request to be billed on a quarterly basis.

In addition to paying investment management fees, accounts are also subject to other expenses such as custodial charges, brokerage commissions and related costs; taxes; foreign exchange transaction fees; and costs, expenses and fees that may be specific to the account. Client assets may be invested in money market mutual funds, ETFs or similar instruments. For such investments, the client will bear its pro-rata share of the investment management fee and related expenses of the investment separately from the investment management fee paid to Avenir. For a full discussion of Avenir's brokerage practices please refer to Item 12 of this brochure.

Avenir or the client may request termination of the investment management agreement and the client may obtain a pro-rata refund of fees paid by supplying written notice to Avenir 30 days prior to the effective date.

## **Item 6            Performance-Based Fees and Side-by-Side Management**

Avenir does not charge a performance-based fee.

## **Item 7            Types of Clients**

Avenir's clients consist of individuals, investment partnerships, retirement plans, pension and profit sharing plans, trusts, estates, charitable organizations, foundations, private funds, corporations and other business entities.

Avenir requires that a client invest a minimum of \$1 million to open an account. The minimum investment requirement may be waived at the discretion of Avenir's management.

## **Item 8            Methods of Analysis, Investment Strategies and Risk of Loss**

Avenir's core value investment strategy is implemented through a security selection process that starts with a bottom-up analysis of each investment opportunity. The goal of this strategy is to manage a relatively concentrated portfolio of investments in superior businesses with excellent managements that are purchased at a significant discount to Avenir's appraisal of intrinsic value. Investment decisions are based on a thorough analysis of a target company's business, financial condition and the quality of its management. Avenir seeks to engage senior management in detailed discussions relating to the nature of the business in order to identify the true economic potential of the business, evaluate the quality of the franchise and assess management's ability to achieve high returns on investment.

Avenir avoids the concept of relative valuation to the market as a whole and does not necessarily believe that a stock is inexpensive simply because traditional metrics such as price-to-earnings ratio or price-to-book value multiples are low. Avenir focuses on long-term value opportunities and security selection is not limited by market capitalization weightings, industry sectors, or other classifications. Although Avenir's investment strategy is focused primarily on equities, the firm will consider investments in any security that can generate equity-like returns while also providing a margin of safety, including convertible securities and distressed debt. In general, all Avenir portfolios are managed in a similar manner; however, certain accounts may hold different securities due to unique client circumstances or the timing of account fundings.

Avenir's investment strategy involves risk and clients must be prepared to bear the loss of their entire investment. There are substantial risks related to Avenir's investment strategy. Avenir invests primarily in equities and thus Avenir portfolios are always exposed to systemic risk as well as the unique risk present in any security. Accounts may not be diversified across a wide range of securities, industry sectors or geographies. Avenir accounts are relatively concentrated and thus will likely exhibit more volatility and by traditional measures may be considered to have more risk than accounts that are invested in a larger number of securities with correspondingly smaller position sizes. Concentrated investment portfolios typically exhibit more volatility and changes in value relative to an index. Moreover, Avenir's assessment of an investment may be flawed, or the investment may suffer a permanent loss in value due to unforeseen reasons. Equity prices fluctuate in response to numerous factors including company specific

issues as well as macro-economic factors, political factors, market related movements, and other developments. Fluctuations can be significant over the short and long term, and different sectors of the market and different types of equity securities may react differently to various events. Many unforeseen events and developments may affect a single issuer, issuers within an industry or entire sectors of the economy. Terrorism and related geopolitical risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and financial markets generally.

**Item 9           Disciplinary Information**

This item is not applicable.

**Item 10           Other Financial Industry Activities and Affiliations**

This item is not applicable.

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

Avenir has adopted a Code of Ethics (the “Code”) to provide a set of principles for all employees and managers of Avenir to best achieve our corporate mission. The Code requires all employees and managers to place their personal interests behind those of our clients, and comply with all applicable laws and governing bodies. The Code supplements and supports Avenir’s Policies and Procedures. All employees and managers receive a copy of both documents, and provide a written acknowledgement of receipt and understanding. The Code, along with the Policies and Procedures, serve as a minimum standard of professional conduct, helping create and support a culture of compliance. Clients or prospective clients may obtain a copy of the Code by contacting us at (202) 659-4427.

Managers and employees of Avenir in the course of their investment management and other activities may come into possession of confidential or material nonpublic information about issuers, including issuers in which Avenir or its related persons have invested or seek to invest on behalf of clients. Avenir is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. Avenir maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that Avenir is meeting its obligations to clients and remains in compliance with applicable law.

Avenir’s employees own the same securities owned by clients. This practice directly aligns the personal interests of Avenir’s employees with those of the firm’s clients. Such practices could present a conflict in cases where Avenir employees may be in a position to trade in a manner that could adversely affect clients. In order to mitigate any such conflicts, Avenir has policies and procedures that favor client transactions over those of Avenir employees. The guiding premise is that client accounts are always served first. To ensure compliance with this policy, all contemplated employee owned security purchases and sales are to be reviewed by an officer of Avenir prior to execution. The Chief Compliance Officer reviews all employee and manager trades in a timely manner to ensure that this rule is upheld.

## **Item 12      Brokerage Practices**

A number of factors are considered when Avenir has discretion to select the broker-dealer used to execute transactions (or series of transactions) and determining the reasonableness of their compensation. Such factors may include the size of the order, the broker's execution capability, commission rates, clearance and settlement capability, as well as and the broker's provision of research and other brokerage services. On a quarterly basis, a portfolio manager, trader, and the Chief Compliance Officer will engage in a review of current commission rates, existing and new trading relationships, and discuss any changes in the trading environment.

Avenir often receives research or other products or services from broker-dealers or a third party. Avenir does not maintain any soft dollar accounts to obtain research or other products or services. In the cases where Avenir directs trades to a broker-dealer in return for research or other products or services clients are not charged additional costs beyond the brokerage commission; however, the brokerage commission for a specific trade may at times be higher than those that would be charged by other broker-dealers or alternative trading platforms. In some cases Avenir may request a broker-dealer to step-out part of the commission to another broker-dealer in return for research or other products or services. Examples of research products and services that may be obtained include research reports on companies, industries and securities; discussions with research analysts; and hosted meetings with corporate executives. These research products and services supplement Avenir's own research and analysis and aid in the investment decision process.

The use of client commissions to obtain research or other products or services may raise conflicts of interest. Avenir receives a benefit by not having to produce or pay for the research, products or services. This creates an incentive for Avenir to select or recommend a broker-dealer based on its interest in receiving those products and services, rather than on a client's interest in receiving most favorable execution. Research and other services obtained in this manner may be used in servicing any or all accounts and may be used in connection with accounts other than those that pay commissions to the broker-dealer relating to the research or other service arrangements.

Certain clients choose custodians who require directed brokerage as a part of their custodial services. When Avenir is directed to a specified broker-dealer to execute transactions Avenir may be unable to achieve the most favorable execution of a transaction. Typically, Avenir has limited ability to negotiate commission rates with directed broker-dealers and the client may not receive as favorable prices or commission rates as it might otherwise have obtained if Avenir selected the broker-dealer. This can create a disadvantage for the client and cause the client to pay higher transaction costs.

Avenir aggregates client purchase and sell orders for individual securities. Aggregated orders allow Avenir to allocate securities to clients at the average transaction price for a security achieved during a trading day. This may result in an aggregated price that is more or less favorable to a client when compared to an individual order. In cases where orders to purchase or sell the same security concurrently for both non-directed accounts and directed accounts the larger aggregated order is typically executed first. The non-directed accounts will often make up the larger aggregated order. This may or may not cause the smaller aggregated order to receive a less favorable transaction price. If an aggregated order is not completely filled during the trading day, then there will not be enough shares to fill all the account targets, requiring a partial allocation among accounts. When completing such partial allocations, Avenir limits establishing insignificant positions in the target security. Additional factors are considered in determining partial allocations, including the relative cash position in an account.

Avenir may execute cross transactions among discretionary client accounts except as noted below. Cross transactions enable Avenir to execute a trade among clients for the same security at a set price, thereby possibly avoiding an unfavorable price movement that may occur through entrance into the market and lowering commission costs for both accounts. Cross transactions are done at or as close as possible to the mid point in the bid-ask spread at the time of the trade. Cross transactions are not permitted for benefit plans or other similar accounts that are subject to ERISA.

### **Item 13          Review of Accounts**

Each account is reviewed by a portfolio manager at least monthly or more frequently due to changes in market conditions. The portfolio manager reviews the account's performance, compliance with any account restrictions, and allocations of securities transactions.

For most accounts, trade allocations are reconciled daily by Avenir. Custodial records of security and cash positions are reviewed and reconciled to Avenir's records on a monthly basis.

Security investments are reviewed as new information becomes available.

### **Item 14          Client Referrals and Other Compensation**

Avenir does not compensate any person or entity for client referrals.

### **Item 15          Custody**

Each client receives or has electronic access to account statements from the broker-dealer, bank or other qualified custodian. Most clients receive brokerage account statements monthly. Clients should carefully review their brokerage account statements.

### **Item 16          Investment Discretion**

Avenir provides investment advisory services on a discretionary basis to clients. Please see Item 4 for a description of any limitations clients may place on Avenir's discretionary authority. Prior to assuming full discretion in managing a client's assets, Avenir enters into an investment management agreement that sets forth the scope of Avenir's discretion.

Unless otherwise instructed or directed by a discretionary client, Avenir has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines), and (ii) the amount of securities to be purchased or sold for the client account. Please see Item 12 for a discussion of Avenir's policies and procedures governing investment allocations and trade allocation and aggregation.

### **Item 17          Voting Client Securities**

To the extent Avenir has been delegated proxy voting authority on behalf of its clients, Avenir's Proxy Voting Policies and Procedures is designed to ensure that such proxies are voted in the best interests of its clients.



Avenir Corporation recognizes that it has a fiduciary obligation to vote client proxies, except in cases in which the cost of doing so, in the opinion of Avenir, would exceed the expected benefit to the client. For example, the cost of voting an individual proxy may be prohibitively expensive in the case of non-US securities. In cases where a conflict of interest exists between Avenir and its clients, Avenir may request voting instructions from its clients, vote in accordance with the recommendations made by issuer's Board of Directors, or abstain from voting. Avenir may be required to vote proxies differently for certain clients due to unique conditions. Avenir considers each proposal in proxies on a case-by-case basis, and occasionally on an account-by-account basis. Depending upon the issue being voted on, Avenir may vote with or against a Board of Director's suggestion or abstain from a particular proposal. Avenir may refrain from voting a proxy or vote with management on all proposals in certain circumstances. Proxies can cover a wide array of issues affecting individual companies. In general, these issues include board size and composition, executive compensation, stock option plans, choice of auditor, and individual shareholder proposals. The final voting decision is determined by Avenir's individual managers after having reasonably evaluated each proposal on a proxy. The final vote for proposals is judged and voted on a case-by-case basis. In the event of a material conflict of interest between an individual manager of Avenir and the issuer of a security, this individual manager will refrain from the specific vote.

As a separate account manager, Avenir manages a large number of individual client accounts. All accounts will not necessarily hold the same securities. In the cases in which the aggregate value of a security held across all managed accounts is less than \$1 million, Avenir does not take responsibility for voting these proxies. In addition, Avenir does not take responsibility for voting proxies for securities which are unsupervised. Further, Avenir generally refrains from voting a proxy if a client no longer holds a position in a security at the time of a company's meeting. Clients may request to receive proxy materials if they prefer to vote their own proxies.

Clients may obtain a copy of Avenir's Proxy Voting Policies and Procedures and how Avenir voted proxies by contacting us at (202) 659-4427.

## **Item 18            Financial Information**

This Item is not applicable.

## **Item 19            Requirements for State-Registered Advisers**

This Item is not applicable.

Part 2B of Form ADV:        Brochure Supplement

Charles G. Mackall, Jr.  
Peter C. Keefe  
James H. Rooney

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March 31, 2011

This brochure supplement provides information about Charles G. Mackall, Jr, Peter C. Keefe, and James H. Rooney that supplements the information contained in Avenir's brochure. You should have received a copy of that brochure prior to engaging Avenir's services. If you did not receive Avenir Corporation's brochure or if you have any questions about the contents of this supplement, please contact Carmen Gonzalez at (202) 659-4427.

Additional information about Charles G. Mackall, Jr, Peter C. Keefe, James H. Rooney is available on the SEC's website at [www.adviserinfo.gov](http://www.adviserinfo.gov).

## **Charles G. Mackall, Jr.**

### **Item 2 Educational Background and Business Experience**

Charles G. Mackall, Jr., born 1935, received an A.B. from Princeton University in 1957 and an M.B.A. from the Colgate Darden School of Business Administration at the University of Virginia in 1962. Mr. Mackall worked for 17 years at NS&T Bank (now Sun Trust Banks, Inc.) serving as Vice President and Manager of Commercial Lending before resigning in 1980 to become a founder of Avenir. He was a standing member of both the internal loan committee and the asset-liability committee of the bank. For the past 40 years Mr. Mackall has been active in the investment field.

### **Item 3 Disciplinary Information**

This item is not applicable.

### **Item 4 Other Business Activities**

This item is not applicable.

### **Item 5 Additional Compensation**

This item is not applicable.

### **Item 6 Supervision**

All supervised persons are subject to Avenir Corporation's Code of Ethics and Policies and Procedures. The Code of Ethics provides a set of principles for all employees of Avenir to best achieve its corporate mission. The Code of Ethics supplements and supports Avenir's Policies and Procedures. The Code, along with the Policies and Procedures, serves as a minimum standard of professional conduct, helping create and support a culture of compliance. Investment activities for clients and supervised persons are reviewed regularly by Avenir's trader and Chief Compliance Officer. Avenir's compliance program is administered by the Chief Compliance Officer, Kenneth S. George, II. He can be contacted at (202) 659-4427.

## **Peter C. Keefe, CFA**

### **Item 2 Educational Background and Business Experience**

Peter C. Keefe, CFA, born 1956, graduated from Washington & Lee University in 1978, and currently sits on its Board of Trustees. Prior to joining Avenir in 1991, Mr. Keefe worked with Johnston, Lemon & Company, a New York Stock Exchange Member Firm, where he served in several capacities, including Director of Research. He is a CFA Charterholder and a member and former Director of the CFA Society of Washington, D.C.\*

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\* See attached CFA Institute Financial Adviser Statement for an explanation of this designation.

## **James H. Rooney, CFA**

### **Item 2 Educational Background and Business Experience**

James H. Rooney, CFA, born 1963, received a B.A. from Duke University in 1986 and an M.B.A from the Fuqua School of Business at Duke University in 1992. From 1987 to 1990, Mr. Rooney worked at J. & W. Seligman & Co., Inc., a New York based money management firm. After graduate school, Mr. Rooney worked as a consultant in the valuation and corporate finance group at Deloitte & Touche, LLP and worked in business development capacities for two energy companies, Sonat, Inc. and Columbia Energy Group. Mr. Rooney joined Avenir in 1998. He is a CFA Charterholder and a member of the CFA Society of Washington, D.C.\*

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## **CFA Institute Financial Adviser Statement for SEC Form ADV**

The Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals.

There are currently more than 90,000 CFA charterholders working in 134 countries. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

### **High Ethical Standards**

The CFA Institute Code of Ethics and Standards of Professional Conduct, enforced through an active professional conduct program, require CFA charterholders to:

- Place their clients' interests ahead of their own
- Maintain independence and objectivity
- Act with integrity
- Maintain and improve their professional competence
- Disclose conflicts of interest and legal matters

### **Global Recognition**

Passing the three CFA exams is a difficult feat that requires extensive study (successful candidates report spending an average of 300 hours of study per level). Earning the CFA charter demonstrates mastery of many of the advanced skills needed for investment analysis and decision making in today's quickly evolving global financial industry. As a result, employers and clients are increasingly seeking CFA charterholders—often making the charter a prerequisite for employment.

Additionally, regulatory bodies in 22 countries and territories recognize the CFA charter as a proxy for meeting certain licensing requirements, and more than 125 colleges and universities around the world have incorporated a majority of the CFA Program curriculum into their own finance courses.

### **Comprehensive and Current Knowledge**

The CFA Program curriculum provides a comprehensive framework of knowledge for investment decision making and is firmly grounded in the knowledge and skills used every day in the investment profession. The three levels of the CFA Program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed-income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management, and wealth planning.

The CFA Program curriculum is updated every year by experts from around the world to ensure that candidates learn the most relevant and practical new tools, ideas, and investment and wealth management skills to reflect the dynamic and complex nature of the profession.

To learn more about the CFA charter, visit [www.cfainstitute.org](http://www.cfainstitute.org).