



RELATIONSHIP SUMMARY

06/30/2020

Avalon Investment & Advisory (“Avalon”) is registered with the Securities and Exchange Commission (“SEC”) as an investment adviser; Avalon is affiliated with an SEC-registered broker-dealer, Avalon Wealth Management LLC (“AWM”), a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation.

Investment advisory and brokerage services and fees differ—it is important for you to understand these differences. Free and simple tools are available to research firms and financial professionals at [Investor.gov/CRS](https://www.investor.gov/CRS), which also provides educational materials about broker-dealers, investment advisers, and investing.

WHAT INVESTMENT SERVICES AND ADVICE CAN YOU PROVIDE ME?

AVALON'S INVESTMENT ADVISORY SERVICES

Avalon offers both discretionary and non-discretionary investment advisory services (including asset allocation) and related services to retail investors. Upon entering into a discretionary investment advisory agreement, your assets will be allocated among accounts that are managed in strategies that include proprietary products or third-party managed products. Investments in the accounts include equity securities (domestic and international), fixed income securities, exchange traded funds (“ETFs”), and mutual funds. Avalon limits the investments in your accounts to strategies (and their underlying holdings) that we deem appropriate for you, and Avalon similarly limits the Avalon and third-party private funds available to you. While recommendations in private funds are made in consideration of your entire portfolio, investments in private funds are made on a non-discretionary basis -- you will ultimately decide whether to purchase or sell the investment, and manage all contributions and withdrawals. Avalon also has certain account types such as private fund accounts and legacy accounts that are non-discretionary accounts where the client makes the ultimate decision regarding the purchase or sale of investments.

Avalon representatives (“Client Advisors”) work with you extensively to understand your needs, goals, objectives, risk tolerance, restrictions, and guidelines to design a personalized investment portfolio to assist you in meeting those goals. Portfolios are typically monitored on a continuous and ongoing basis. As necessary, your portfolio will be rebalanced to meet your changing needs, stated goals, and objectives.

Avalon has a minimum investment requirement to establish an advisory relationship, which can be waived based on the needs of the client and the complexity of the situation. Any relationships below the required minimum are subject to a minimum annual fee. Avalon also has minimum account sizes and investment amounts per strategy.

AWM SERVICES

AWM does not open or carry customer accounts. AWM provides limited services for private funds and non-traded, closed-end funds advised by Avalon or a third party.

These proprietary and third-party private funds are available in a limited number of asset classes, on a non-discretionary basis, meaning that you will ultimately decide whether to purchase or sell interests in the private fund. AWM representatives, acting in the capacity of a Client Advisor, will consider your stated objectives in making a recommendation and will monitor the investment after the purchase. You will be

responsible for determining whether and when to redeem or otherwise dispose of any interests in a private fund.

Only retail investors with whom AWM has a pre-existing and substantive relationship will be offered the opportunity to invest in a private fund. Further, AWM requires that all investors in private funds be “accredited investors”, and in some circumstances requires that investors be “qualified purchasers”, both as defined under SEC rules, which requires substantial net worth and/or income.

For additional information on Avalon’s services, please see avalonadvisors.com or adviserinfo.sec.gov/firm/summary/112556 for our Form ADV 2A brochure (Items 4 and 7). For more information about AWM’s services, please see the Regulation BI disclosure or speak with your Client Advisor.

ASK YOUR CLIENT ADVISOR:

- ***Given my financial situation, should I choose an investment advisory service or a brokerage service? Why or why not?***
- ***How will you choose investments to recommend to me?***
- ***What is your relevant experience, including your licenses, education and other qualifications? What do these qualifications mean?***

WHAT FEES WILL I PAY?

AVALON INVESTMENT ADVISORY SERVICES

Avalon’s advisory fees are typically based on a percentage of assets under management in your accounts and assessed quarterly in arrears. For relevant accounts, Avalon charges a layered fee comprised of this asset-based fee as well as a product fee that varies by investment strategy. Certain accounts are assessed a performance-based fee that is billed annually.

Avalon has an incentive to encourage you to increase the amount of assets in your advisory accounts increasing the amount you will pay in fees, because we receive greater compensation as the assets in your advisory account increase. Avalon also has an incentive to invest your assets in strategies that are higher risk because they tend to have higher advisory fees. You may be able to obtain these advisory services separately from us or other firms at a higher or lower cost. Performance-based fees take into account both realized and unrealized appreciation, and additionally, there is an incentive to make riskier or more speculative investments to earn additional fees.

Clients generally are responsible for certain other fees and expenses (e.g., custodial fees, brokerage commissions, and similar charges) that are not paid to Avalon. When you invest in ETFs and mutual funds, or in private funds (some of which are advised by Avalon) purchased from AWM, you will be subject to fund level fees (including fees paid to Avalon for funds advised by Avalon) and expenses. These other fees are separate from, and in addition to, the fees paid to Avalon for selecting and monitoring those investments. Underlying fund fees and expenses are discussed in each fund placement memorandum or prospectus.

AWM SERVICES

You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.

For additional information about our fees and costs, please see avalonadvisors.com or adviserinfo.sec.gov/firm/summary/112556 for our Form ADV 2A brochure (specifically Item 5); for more information about AWM’s fees, please see the Regulation BI disclosure or speak with your Client Advisor.

ASK YOUR CLIENT ADVISOR:

- *Help me understand how these fees and costs might affect my investments.*
- *If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?*

WHAT ARE YOUR LEGAL OBLIGATIONS TO ME WHEN PROVIDING RECOMMENDATIONS AS MY BROKER-DEALER OR WHEN ACTING AS MY INVESTMENT ADVISER? HOW ELSE DOES YOUR FIRM MAKE MONEY AND WHAT CONFLICTS OF INTEREST DO YOU HAVE?

AVALON INVESTMENT ADVISORY SERVICES

When we act as your investment adviser, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the investment advice we provide you. Here are some examples to help you understand what this means.

- Avalon and AWM earn more compensation and other benefits when you invest in products that we sponsor, or manage, than we do when you invest in products not affiliated with Avalon or AWM. This gives us an incentive to recommend or invest your assets in our proprietary products rather than in third-party products available on the platform that could otherwise be used to construct your portfolio.
- We have an incentive to devote more time to clients with a substantial amount of assets under management or clients that are also stakeholders in the firm.
- Avalon receives research, research-related products and certain brokerage services on a “soft-dollar” commission basis, from broker-dealers in exchange for Avalon executing client trades through the broker-dealer. Avalon could have an incentive to select a broker-dealer based on our interest in receiving these services, rather than in your interest in receiving the best execution.

AWM SERVICES

When we provide you with a recommendation, AWM must act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the recommendations we provide you. The first example above is intended to help you understand what this means. Additionally, AWM representatives are also Client Advisors and face the conflicts described above.

For additional information about our conflicts of interest when providing advisory services, please see avalonadvisors.com or adviserinfo.sec.gov/firm/summary/112556 for our Form ADV 2A brochure (Items 4, 5, 6, 10 & 11), your advisory agreement, or speak with your Client Advisor. For more information about our conflicts of interest when providing brokerage services, please see the Regulation BI disclosure or speak with your Client Advisor.

ASK YOUR CLIENT ADVISOR:

- *How might your conflicts of interest affect me, and how will you address them?*

HOW DO YOUR FINANCIAL PROFESSIONALS MAKE MONEY?

AVALON INVESTMENT ADVISORY SERVICES

Avalon’s Client Advisors are paid base salaries and earn discretionary bonuses based upon a portion of the advisory fees paid to Avalon by their clients. Client Advisors earn more when increasing current client assets, investing new client assets and investing in riskier investments to increase their overall performance. The firm benefits financially from the fees related to proprietary strategies versus third-party strategy providers

and, as a result, your Client Advisor has an incentive to invest your funds in proprietary strategies and recommend private funds. As our Client Advisors are compensated based on the amount of assets they service, they therefore earn higher compensation for investing more of your money.

Avalon's portfolio management staff is compensated through a combination of base salary and year-end bonus incentives based on overall firm performance and on performance of the strategy they manage. Members of the portfolio management staff that have advisory clients are also compensated on the amount of assets they manage.

AWM SERVICES

AWM financial professionals receive sales compensation on assets placed in private funds. Additionally, AWM professionals are also Client Advisors and receive payments on the assets placed in private funds. This compensation creates a conflict of interest with Avalon clients when AWM representatives recommend you invest in a Private Fund for which AWM (and/or its personnel making the recommendation) will receive compensation.

DO YOU OR YOUR FINANCIAL PROFESSIONALS HAVE LEGAL OR DISCIPLINARY HISTORY?

Neither Avalon, AWM, nor any of its financial professionals have any legal or disciplinary events to disclose.

Visit Investor.gov/CRS for a free and simple search tool to research us and our financial professionals.

ASK YOUR CLIENT ADVISOR:

- ***As a financial professional, do you have any disciplinary history? For what type of conduct?***

ADDITIONAL INFORMATION

You can find additional information about Avalon's advisory services or AWM's services, request up-to-date information and request a copy of this relationship summary by visiting avalonadvisors.com; emailing compliance@avalonadvisors.com; or calling us at 713-238-2050.

ASK YOUR CLIENT ADVISOR:

- ***Who is my primary contact person?***
- ***Is he or she a representative of an investment adviser or a broker-dealer?***
- ***Who can I talk to if I have concerns about how this person is treating me?***