
AVALON CAPITAL ADVISORS, LLC

DISCLOSURE DOCUMENT

MANAGED ACCOUNT PROGRAM

A California Limited Liability Company Registered Under
The Commodity Exchange Act, as Amended,
as a Commodity Trading Advisor

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THE COMMODITY FUTURES TRADING COMMISSION HAS NOT PASSED UPON THE MERITS OF PARTICIPATING IN THIS TRADING PROGRAM NOR HAS THE COMMISSION PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DISCLOSURE DOCUMENT.

THE INFORMATION OF THIS DISCLOSURE DOCUMENT AT ANY TIME DOES NOT IMPLY THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE SHOWN BELOW.

No person is authorized by Avalon Capital Advisors, LLC to give any information or to make any representations that are not contained in this Disclosure Document.

THE DATE OF THIS DISCLOSURE DOCUMENT IS January 31, 2009

RISK DISCLOSURE STATEMENT

THE RISK OF LOSS IN TRADING COMMODITIES CAN BE SUBSTANTIAL. YOU SHOULD THEREFORE CAREFULLY CONSIDER WHETHER SUCH TRADING IS SUITABLE FOR YOU IN LIGHT OF YOUR FINANCIAL CONDITION. IN CONSIDERING WHETHER TO TRADE OR TO AUTHORIZE SOMEONE ELSE TO TRADE FOR YOU, YOU SHOULD BE AWARE OF THE FOLLOWING:

IF YOU PURCHASE A COMMODITY OPTION, YOU MAY SUSTAIN A TOTAL LOSS OF THE PREMIUM AND OF ALL TRANSACTION COSTS.

IF YOU PURCHASE OR SELL A COMMODITY FUTURE OR SELL A COMMODITY OPTION, YOU MAY SUSTAIN A TOTAL LOSS OF THE INITIAL MARGIN FUNDS AND ADDITIONAL FUNDS THAT YOU DEPOSIT WITH YOUR BROKER TO ESTABLISH OR MAINTAIN YOUR POSITION. IF THE MARKET MOVES AGAINST YOUR POSITION, YOU MAY BE CALLED UPON BY YOUR BROKER TO DEPOSIT A SUBSTANTIAL AMOUNT OF ADDITIONAL MARGIN FUNDS, ON SHORT NOTICE, IN ORDER TO MAINTAIN YOUR POSITION. IF YOU DO NOT PROVIDE THE REQUIRED FUNDS WITHIN THE PRESCRIBED TIME, YOUR POSITION MAY BE LIQUIDATED AT A LOSS, AND YOU WILL BE LIABLE FOR ANY RESULTING DEFICIT IN YOUR ACCOUNT.

UNDER CERTAIN MARKET CONDITIONS, YOU MAY FIND IT DIFFICULT OR IMPOSSIBLE TO LIQUIDATE A POSITION. THIS CAN OCCUR, FOR EXAMPLE, WHEN THE MARKET MAKES A "LIMIT MOVE".

THE PLACEMENT OF CONTINGENT ORDERS BY YOU OR YOUR TRADING ADVISOR, SUCH AS A "STOP-LOSS" OR "STOP-LIMIT", WILL NOT NECESSARILY LIMIT YOUR LOSSES TO THE INTENDED AMOUNTS, SINCE MARKET CONDITIONS MAY MAKE IT IMPOSSIBLE TO EXECUTE SUCH ORDERS.

A "SPREAD" POSITION MAY NOT BE LESS RISKY THAN A SIMPLE "LONG" OR "SHORT" POSITION.

THE HIGH DEGREE OF LEVERAGE THAT IS OFTEN OBTAINABLE IN COMMODITY TRADING CAN WORK AGAINST YOU AS WELL AS FOR YOU. THE USE OF LEVERAGE CAN LEAD TO LARGE LOSSES AS WELL AS GAINS.

IN SOME CASES, MANAGED COMMODITY ACCOUNTS ARE SUBJECT TO SUBSTANTIAL CHARGES FOR MANAGEMENT AND ADVISORY FEES. IT MAY BE NECESSARY FOR THOSE ACCOUNTS THAT ARE SUBJECT TO THESE CHARGES TO MAKE SUBSTANTIAL TRADING PROFITS TO AVOID DEPLETION OR EXHAUSTION OF THEIR ASSETS. THIS DISCLOSURE DOCUMENT CONTAINS A COMPLETE DESCRIPTION OF THE FEES TO BE CHARGED TO YOUR ACCOUNT BY THE COMMODITY TRADING ADVISOR BEGINNING ON PAGE 9-10.

THIS BRIEF STATEMENT CANNOT DISCLOSE ALL THE RISKS AND OTHER SIGNIFICANT ASPECTS OF THE COMMODITY MARKETS. YOU SHOULD THEREFORE CAREFULLY STUDY THIS DISCLOSURE DOCUMENT AND COMMODITY TRADING BEFORE YOU TRADE, INCLUDING THE DESCRIPTION OF THE PRINCIPLE RISK FACTORS OF THIS INVESTMENT BEGINNING ON PAGE 11-12.

YOU SHOULD ALSO BE AWARE THAT THIS COMMODITY TRADING ADVISOR MAY ENGAGE IN TRADING FOREIGN FUTURES OR OPTIONS CONTRACTS. TRANSACTIONS ON MARKETS LOCATED OUTSIDE THE UNITED STATES, INCLUDING MARKETS FORMALLY LINKED TO A UNITED STATES MARKET, MAY BE SUBJECT TO REGULATIONS, WHICH OFFER DIFFERENT OR DIMINISHED PROTECTION. FURTHER, UNITED STATES REGULATORY AUTHORITIES MAY BE UNABLE TO COMPEL THE ENFORCEMENT OF THE RULES OF REGULATORY AUTHORITIES OR MARKETS IN NON-UNITED STATES JURISDICTIONS WHERE YOUR TRANSACTIONS MAY BE AFFECTED. BEFORE YOU TRADE YOU SHOULD INQUIRE ABOUT ANY RULES RELEVANT TO YOUR PARTICULAR CONTEMPLATED TRANSACTIONS AND ASK THE FIRM WITH WHICH YOU INTEND TO TRADE FOR DETAILS ABOUT THE TYPES OF REDRESS AVAILABLE IN BOTH YOUR LOCAL AND OTHER RELEVANT JURISDICTIONS.

THIS COMMODITY TRADING ADVISOR IS PROHIBITED BY LAW FROM ACCEPTING FUNDS IN THE TRADING ADVISOR'S NAME FROM A CUSTOMER FOR TRADING COMMODITY INTERESTS. YOU MUST PLACE ALL FUNDS FOR TRADING PROGRAM DIRECTLY WITH A FUTURES COMMISSION MERCHANT.

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I. THE TRADING ADVISOR

Avalon Capital Advisors, LLC (“Avalon Capital” or the “Advisor”) is a California limited liability company formed in March 2006 to provide advisory services conducted by its Managers, Scott Altenburg, Andre Julian, and Stephen Salman (collectively the “Principals”). Avalon Capital’s office is located at 8001 Irvine Center Drive, Suite 1020, Irvine, California 92618. The telephone number is (949) 265-1408, E-mail address: info@avaloncta.com, Website: <http://www.avaloncta.com>. All business records are kept at Avalon Capital’s principal place of business.

Avalon Capital became registered with the Commodity Futures Trading Commission (“CFTC”) as a commodity trading advisor and became a member of the National Futures Association (“NFA”) on April 12, 2006.

Performance for Avalon Capital Advisors, LLC can be found on pages 14-15.

There has never been any material administrative, civil, or criminal proceedings against Avalon Capital or its Principals.

II. BUSINESS AND EDUCATIONAL BACKGROUND

Scott Altenburg

Scott Altenburg is the CEO, a founder and a principal of Avalon Capital. Mr. Altenburg is registered with the CFTC as an associated person and a principal of Avalon Capital as of April 12, 2006. Mr. Altenburg is responsible for the overall management of the organization, including day-to-day activities, as well as client services and compliance matters. In addition, Mr. Altenburg was approved by the CFTC as a principal of Avalon Asset Management, LLC on April 10, 2006, and was registered as an associated person of that entity on April 12, 2006.

Mr. Altenburg has over 13 years of commodities experience, including market analysis, risk management, asset allocation, system development and compliance. Mr. Altenburg is also CEO, a founder, principal and associated person of Option Investments, Inc. (“OpVest”) formerly Summit Financial Services, Inc. (“Summit”) dba Opportunities In Options (“OIO”), where he has been employed since April 2003. OpVest, which does business as Opportunities In Options (“OIO”), is a California corporation that has been registered with the CFTC as an Introducing Broker and has been an NFA member since April 29, 2003. OpVest has also been registered as a CTA with the CFTC since December 8, 2005. Mr. Altenburg’s duties at OpVest include all aspects of operating a commodities brokerage firm including risk management, market analysis, client services, training brokers, accounting and compliance.

Before founding OpVest, Mr. Altenburg operated a branch office of OIO from January 1999 to April 2003. His duties included all aspects of operating a commodities brokerage firm including hiring staff, human resources, training brokers, client services, compliance, risk management, trading client accounts and system development. In addition, from December 2001 through October 2002, Mr. Altenburg, was the Secretary of Tempest Asset Management, a start-up foreign exchange fund. Prior to being employed by OIO and Tempest, Mr. Altenburg was an associated person, broker trainer and ultimately a manager of Tradeline Brokerage Services, LLC (“Tradeline”), previously known as Amerivest Brokerage Services Inc. from January 1995, to January 1999. While at Tradeline, Mr. Altenburg held positions of increasing responsibility from 1995-1999. Prior to being employed by Tradeline, Mr. Altenburg worked as an associated person at Barrons Worldwide Financial Services from May 1993 to December 1994. Mr. Altenburg received his BA in Economics from the University of Wisconsin-Madison in 1992.

Andre Julian

Andre Julian is the CFO, a founder and a principal of Avalon Capital. Mr. Julian is also registered with the CFTC as an associated person and a principal of Avalon Capital as of April 12, 2006. Mr. Julian oversees the operation of the finance and administration departments, and serves as Avalon Capital’s sales compliance supervisor and acts as the liaison between the marketing staff and the research and trade departments. In addition, Mr. Julian was approved by the CFTC as a principal of Avalon Asset Management, LLC on April 10, 2006, and was registered as an associated person of that entity on April 12, 2006.

Mr. Julian has over 10 years of commodities experience, including fundamental and technical analysis of the market, risk management, asset allocation, trade analysis and sales training. Mr. Julian is also CFO, a principal and associated person of OpVest where he has been employed since April 2003. Mr. Julian's duties at OpVest include all aspects of operating a commodities brokerage firm--risk management, market analysis, client services, administrative operations, accounting and AML procedures. Prior to being employed by OpVest, Mr. Julian co-managed a branch office of OIO from August 2001 to April 2003. Mr. Julian's duties included hiring staff, human resources, training brokers, client services, compliance, risk management, trading client accounts and system development. In addition, from December 2001 through October 2002, Mr. Julian was the treasurer of Tempest Asset Management, a start-up foreign exchange fund. Prior to being employed by OIO and Tempest, Mr. Julian was an associated person, sales trainer and ultimately a principal at Main Street Trading Company ("Main Street") from September 1996 through January 2001. Main Street was later purchased by Refco, Inc. in January 2001, but retained the Main Street name where Mr. Julian was employed under the same capacity from January 2001 through August 2001. While at Main Street, Mr. Julian developed a proprietary commodity trading system that collected option premium based on statistical analysis, time decay, probability of expiration and volatility. Prior to Main Street, Mr. Julian worked for Professor Henry Pontell from September 1991 to October 1993 on a government sponsored research grant at the University of California at Irvine managing a research team developing a book on the Savings and Loan Debacle of the 1980's. Mr. Julian received his MA in Social Ecology from the University of California at Irvine in 1994 and his BA in Psychology from the University of California at Irvine in 1991.

Stephen Salman

Stephen Salman is the Director of Trading, a founder and a principal of Avalon Capital. Mr. Salman is registered with the CFTC as an associated person and a principal of Avalon Capital as of April 12, 2006. Mr. Salman is responsible for managing Avalon Capital's proprietary trading programs including risk, money, and position management, and will focus on research and continual development of trading models while handling order execution. In addition, Mr. Salman was approved by the CFTC as a principal of Avalon Asset Management, LLC on April 10, 2006, and was registered as an associated person of that entity on April 12, 2006.

Mr. Salman has over 10 years of commodities experience, including fundamental and technical market analysis, system development, asset allocation, position and risk management and trade execution. Mr. Salman is also an associated person and lead trader for OpVest where he has been employed since June 2004. Mr. Salman's duties at OpVest include overseeing trading for a large percentage of OpVest's retail clients, market and trade analysis, risk manager, system development, systems trading manager, and tutoring brokers for series 3 exam. Before working as an associated person for OpVest, Mr. Salman worked as an associated person for a branch office of OIO from December 1999 to June 2004. At the branch office of OIO, Mr. Salman's duties included client services, market analysis, money management and systems development. From December 2001 through October 2002, Mr. Salman worked for Tempest Asset Management, a start-up foreign exchange fund. Throughout his employment with Tempest, Mr. Salman was responsible for working with the trade platform, managing trade blotter, and working side by side with funds trading principals. Prior to being employed by OIO, Mr. Salman worked as an associated person for Aegis Financial LLC ("Aegis") from March 1999 to December 1999. Mr. Salman's duties at Aegis consist of assistant office manager, working side by side with CTA, system development, client services, order execution, and compliance. Prior to Aegis, Mr. Salman worked as an associated person for Tradeline Brokerage Services, LLC ("Tradeline") from June 1996 to February 1999 previously named Amerivest Brokerage Services Inc. Mr. Salman was not employed in the futures industry from 1985 through June 1996. Mr. Salman attended California State University - Long Beach as a Business Administration major from 1984-1985 and received his undergraduate degree from Orange Coast College in 1983.

III. TRADING PROGRAMS

Objective

The Discretionary Commodity Trading Programs described in this Disclosure Document are designed primarily for sophisticated investors. Avalon Capital intends to start using this Disclosure Document on the date stated on the cover page. Avalon Capital's objective is to generate consistent positive returns of its client's assets while attempting to limit drawdown and volatility utilizing diversification and risk management techniques through speculation in financial and commodity options, and futures contracts. Avalon Capital will provide unique

diversification tools and a blend of strategies maintaining a low degree of correlation with respect to other CTA programs, hedge funds, stock indices and traditional investment benchmarks seeking to provide a source of alpha to ones overall investment portfolio. No assurance can be given that this objective will be met, and an investment in an account to be traded by Avalon Capital should only be considered by investors that can assume the significant risk of commodity futures trading, including losses in excess of their initial investment. Avalon Capital will attempt to meet the objective of capital appreciation by making trading decisions based upon proprietary trading methods.

Methodology

Since the trading methods to be utilized by Avalon Capital are proprietary and confidential, the discussion that follows is of a general nature and not intended to be exhaustive. In addition, Avalon Capital may refine or change the implementation of its strategies (including but not limited to technical factors, markets traded and or money management principals) without prior notice to or approval by customers. Although Avalon Capital intends to use the three trading programs described in Section IV of this Disclosure Document (commencing on page 7-8), Avalon Capital may elect to abandon or not implement any or all of the programs. Avalon Capital may also from time to time adopt and implement additional novel trading strategies, which may or may not be based upon any of the Advisor's existing trading strategies. Any strategy used by Avalon Capital will generally be proprietary and confidential. There can be no assurance that Avalon Capital's approach to trading will yield the same results as it has in the past.

Commodity traders generally rely on either fundamental or technical analysis, or a combination of both, in making trading decisions. Technical analysis is based upon the theory that a study of the markets themselves will provide a means of anticipating external factors, which affect the supply and demand of a particular commodity in order to predict future prices. Technical analysis of the markets generally includes a study of, among other things, the actual daily, weekly and monthly price fluctuations, volume variations and changes in open interest. Fundamental analysis, on the other hand, relies on a study of factors external to the trading market such as general economic factors, anticipated world events, and supply and demand factors in order to predict future prices. Fundamental analysis is premised on the concept that market prices frequently may not reflect the real value of a futures contract, although such value will eventually determine price levels. By analyzing underlying economic factors, a fundamental trader hopes to predict future market trends as price levels and actual value move into parity.

Avalon Capital's Approach

Avalon Capital currently has three trading programs which may be employed at the discretion of the client: Coronado, Balboa, and Lido. The execution of these commodity-trading programs depends on both technical and fundamental analysis. The core structure of the programs is to achieve capital appreciation on a consistent basis by utilizing our proprietary models to identify volatility disparities in the options market. A host of strategies will be utilized which may include, but will not be limited to strangles, naked options, credit spreads, butterfly spreads and ratio spreads. Accompanying the foundation of this program are special event/circumstance trading opportunities which can include futures and futures spreads. The markets that will be traded include, but will not be limited to, Currencies, Energies, Equity Indices, Financials, Grains, Meats, Metals, and Softs. Although not currently trading foreign exchange currency contracts, also known as the (FX) spot (cash) market, Avalon Capital reserves the right to do so in the future.

The trading methods to be employed by Avalon Capital are proprietary and confidential. The following description of Avalon Capital's trading methods and strategies is general and is not intended to be exhaustive. Commodity trading methods are proprietary and complex, so only the most general descriptions are possible; no attempt has been or could be made to provide a precise description of Avalon Capital's strategy. Avalon Capital reserves the right to alter its trading methodology, at any time, without notice to clients, if Avalon Capital believes such change is in the best interest of clients.

Although the three programs currently traded by Avalon Capital differ in certain respects, they share a majority of common elements. Under all three programs, Avalon Capital's trading strategy utilizes a combination of technical and fundamental analysis, whereby our models categorize scenarios providing us with the appropriate trading vehicle. The selection of component strategies, time frames and markets follows a quantitative analysis that considers the liquidity and volatility of markets traded, types of strategies employed, quantity of positions, strike

prices, trade duration, risk of loss, and probability of achieving performance objectives. Avalon Capital's trading strategies have been internally researched and developed over the last six years. Avalon Capital believes that the development of its strategies is an evolving process, and models may need to be revised from time to time as a result of current and ongoing research or changes in market conditions. This provides Avalon Capital the flexibility to make key adjustments to its models offering an appropriate strategy that is commensurate to market conditions. Avalon Capital's philosophy of diversifying among time frames and strategies, as well as markets, provides a unique distribution of risk to reward throughout our programs.

A key trading strategy is neutral option selling. This entails simultaneously writing (selling) equal number of out-of-the-money calls and puts (short strangle). This strategy is non-directional and exploits the time decay aspect of options. The greatest risk with this strategy occurs during periods of extreme volatility, in particular, large directional moves. Other common selling strategies that will be used in this program are an assortment of covered credit spreads and naked options balancing collection of premium with risk management. The time frame is usually short to intermediate term, and could be considered both systematic and discretionary. Since non-directional and limited price directional trading strategies are employed, major long-term price movements are not needed for the program to be successful.

One of Avalon Capital's principal trading philosophies is for profits to be made when the value of options are reduced as a function of time, rather than a function of market direction. Avalon strategies provide for making regular adjustments to option positions, including the acceptance of losses to minimize or eliminate risk in a given position. Option positions may be exited early if significant premium erosion has taken place, whereby the risk of staying in a trade, based on Avalon Capital's technical and fundamental factors, outweighs rewards. The positions may be replaced with other options that have different strike prices and/or expiration dates. Depending on market volatility and directional movement of the market, adjustments to the initial short option positions may be required whereby total trading volume may increase to levels considerably more than initial positions, even though risk limits will be placed based on percentage of trade. Avalon Capital may exit or reduce open positions when risk factors are considered too great. A decision not to trade or reduce positions due to lack of liquidity or excessive volatility, or for any other reason, may result at times in clients missing significant profit opportunities, which might otherwise have been captured by Avalon Capital.

Avalon Capital believes market inefficiencies happen from time to time, resulting from both fundamental and technical information, and these disparities allow a myriad of selling or buying opportunities. While seeking to exploit these inefficiencies, tight risk controls will be in place. An opportunity to take advantage of temporary fundamental and/or technical imbalance of a particular market provides potential profit scenarios otherwise missed by not having flexible guidelines to a trading program. Avalon Capital believes this strategy will present an attractive return on a risk-adjusted basis to our overall trading program by buying or selling an option or futures contract depending on Avalon Capital's proprietary tools. This may be based upon a variety of factors, including, but not limited to, changes in volatility of the underlying market, its implied option volatility, price pattern, or perceived fundamental market changes.

Avalon Capital regards certain futures spreads as having a repetitious pattern, from year to year, based on fundamental and technical considerations. Avalon Capital wishes to exploit these patterns during specific times of the year, when both fundamental and technical circumstances are aligned, according to our proprietary tools. Once aligned, Avalon Capital will take a hedged position by buying and selling an equal number of futures contracts in the two markets that compose the spread. Risk limits will be based on a percentage of trade.

Avalon Capital's multi-strategy platform is constructed to perform optimally over longer periods of time. Its distinctive multi-faceted approach allows for numerous trade opportunities, while factoring in the potential for a stable risk-reward ratio, in addition to the potential for profits. Avalon Capital believes this enhanced diversification across multiple markets provides the ability to hedge positions in one commodity with positions in another. Furthermore, Avalon Capital believes this diversification forms a foundation for capital preservation and growth.

IV. PORTFOLIO SELECTION

Below please find a description of the markets and market sectors in which each program utilized by Avalon Capital trades. The markets and market sectors set forth below are not intended to be all inclusive. Avalon Capital reserves

the right to place trades in any commodity futures contract, option thereon, foreign currency exchange contract, or any other financial instrument on any exchange, foreign or domestic, at its sole discretion.

The Coronado Program

The Coronado program currently trades all sectors of U.S. based commodity markets which include, but are not limited to, Currencies, Energies, Equity Indices, Financials, Grains, Meats, Metals, and Softs. All strategies mentioned above will be available in this program. The time frame focus is a blend of intermediate and short-term. The amount of actual funding necessary in a client's account in order for the client to participate in the Coronado program is \$1,000,000, although the Advisor may reduce this amount under certain circumstances in its sole and absolute discretion. (See Section VI- "Account Size and Funding").

The Balboa Program

The Balboa program currently trades 33 commodity interests. The breakdown as follows: British Pound, Canadian Dollar, Dollar Index, Euro, Japanese Yen and Swiss Franc, (Currency Sector). Crude Oil, Heating Oil and Unleaded Gas (Energy Sector); Dow Jones, Nasdaq 100, S&P 500 and Russell 2000, (Equity Sector); 30 Year Bond, 10 Year Note, 5 Year Note and Eurodollar, (Financial Sector); Corn, Oats, Soybeans, Soybean Meal, Soybean Oil and Wheat, (Grain Sector); Feeder Cattle, Live Cattle and Lean Hogs (Meat Sector); Gold and Silver, (Metal Sector); and Cocoa, Coffee, Cotton, Orange Juice and Sugar (Soft Sector). All strategies mentioned above will be available in this program. The time frame focus is a blend of intermediate and short-term. The minimum amount of actual funding necessary in a client's account in order for the client to participate in the Balboa Program is \$250,000, although the Advisor may reduce this amount under certain circumstances in its sole and absolute discretion. (See Section VI- "Account Size and Funding").

The Lido Program

The Lido program currently trades 20 commodity interests. The breakdown as follows: British Pound, Canadian Dollar and Dollar Index, (Currency Sector); 30 Year Bond, 10 Year Note, 5 Year Note and Eurodollar, (Financial Sector); Corn, Soybeans, Soybean Meal, Soybean Oil and Wheat, (Grain Sector); Feeder Cattle, Live Cattle and Lean Hogs (Meat Sector); Gold and Silver, (Metal Sector); and Cocoa, Cotton and Sugar, (Soft Sector). The strategies this program will concentrate on will be an assortment of covered credit spreads and long options. There will be limited short options, neutral options, and futures spread positions in this program. The time frame focus is a blend of intermediate and short-term. The minimum amount of actual funding necessary in a client's account in order for the client to participate in the Lido program is \$50,000, although the Advisor may reduce this amount under certain circumstances in its sole and absolute discretion. (See Section VI- "Account Size and Funding").

There may be times when there is a significant correlation between markets or market sectors, which can greatly reduce the effectiveness of the hedging techniques and diversification.

For performance see page: 14

Past performance is no guarantee of future success and neither Avalon nor its programs guarantee profitable trading.

V. RISK MANAGEMENT

Various risk management tools will be used by Avalon Capital, including stop-loss orders. Stop-loss orders may not necessarily limit losses, since they become market orders when triggered; as a result, a stop-loss order may not be executed at the stop-loss price. Additionally, risk may be managed by varying the size of positions based in part on an assessment of market volatility. Another tool which will be used is portfolio diversification. This technique attempts to take into account the volatility and correlation across multiple markets, as well as projected price behavior in response to specific market-moving events. However, no assurances can be made that historical market correlations will occur or persist in any or all market conditions. Consistent with the Advisor's market approach,

portfolios will be managed to meet longer-term risk and volatility tolerances, rather than trading on the basis of short-term trends.

VI. ACCOUNT SIZE AND FUNDING

The minimum amount of actual funding required in a client's account is \$50,000 for investors interested in participating in the Lido program, \$250,000 in for investors interested in participating in the Balboa program, and \$1,000,000 for investors interested in participating in the Coronado program, provided, however, that under certain circumstances, Avalon Capital may in its sole and absolute discretion accept smaller actual amounts (in which case a client's account will trade at a nominal level equal to the minimum funding levels stated in Section IV of this Disclosure Document, depending upon the trading program selected by the client). All customer accounts reported, pursuant to an Advisory published by the CFTC, must be documented by an agreement between the Advisor and its client specifying the "Nominal Account Size" (agreed level of trading irrespective of amount of "Actual Funds," including non-cash, margin qualifying assets, on deposit), how margin qualifying assets would affect or be related to the Nominal Account Size, and how and to what extent (as a percentage of the account's Nominal Account Size) the account will be funded with Actual Funds. Actual Funds are defined as the amount of margin-qualifying assets on deposit in a commodity interest account, generally cash and marketable securities.

VII. NEW ACCOUNTS

Generally, when a new client begins trading, Avalon Capital will only initiate positions that are generated based on Avalon Capital's assessment of attractive risk-reward conditions. Actual positions established for a new account may not completely mirror those held for existing clients until a full options cycle has passed, or longer.

VIII. FUTURES COMMISSION MERCHANT

The client is free to use the Futures Commission Merchant ("FCM") and Introducing Broker ("IB") of their choice. However, in the future in order to ease the process of execution, Avalon Capital may use a "give-up" arrangement in which all trades are executed through an FCM of Avalon Capital's choice and then cleared by the client's FCM. This arrangement may result in the client paying a higher round-turn commission ranging from \$1.00 to \$5.00 per side. The client generally will be provided with a statement from his FCM disclosing the amount of brokerage commissions charged to the account.

IX. ORDER ENTRY AND ALLOCATION

Avalon Capital will generally place a block order for all Avalon Capital accounts including proprietary accounts in which the same commodity interest is being traded through the same executing FCM. In this instance, Avalon Capital employs an objective price allocation procedure in which all accounts are listed by account number and then trades are assigned, with the lowest number on the list receiving the lowest buy and the lowest sell and the highest number on the list receiving the highest buy and the highest sell. In regards to partial fills, buys will go to the lowest account numbers first and sells to the highest account numbers first.

X. FEES

Avalon Capital normally charges a participating client a monthly management fee and a quarterly incentive fee. The fees are negotiable and may vary depending upon account size and other factors. Fees, which have been paid, will not be returned in the event of losses in subsequent periods.

Monthly Management Fee

Avalon Capital normally charges a management fee of 2% per annum (1/12 of 2% per month) charged monthly based on the Net Assets in the account at each month-end. The management fee is to be calculated before any incentive fee is subtracted from the account. The term “Net Assets” means the net assets in the account (total assets less total liabilities), including interest income and unrealized profits and losses on open commodity interest positions. Net Assets are adjusted for all changes in the value of an account, both actual and notional, for example, profits, interest, cash additions and increases in the notional funds amount will increase Net Assets. Losses, cash withdrawals and decreases in the notional funds amount will decrease Net Assets. If a client withdraws from a Program on a date other than at the end of a month, management fees will be calculated and billed as if such termination were the end of the month. Where an account is partially-funded, the monthly management fee shall be taken as a percentage of the account’s nominal size, defined as the dollar amount that Avalon Capital and its clients have agreed in writing will determine the level of trading in an account regardless of the actual assets on deposit with the FCM. Therefore partial funding increases the fees and commissions as a percentage of actual funds but does not increase the dollar amount of those fees. The nominal account size agreed upon shall remain constant (irrespective of any cash additions, cash withdrawals, profits or losses) unless Avalon Capital is notified otherwise in writing. Therefore cash additions, cash withdrawals, profits and losses will increase or decrease the amount of notional funds by the amount added or subtracted respectively, but not the nominal account size.

Quarterly Incentive Fee

Avalon Capital charges an incentive fee of 20% of New Net Trading Profits, which is calculated and accrued monthly and paid quarterly. “New Net Trading Profits” equal: (i) gross realized profit and loss during the period plus (ii) the change in net unrealized profit and loss on open positions as of the end of the period, minus the sum of (iii) all brokerage commissions and transaction fees and charges paid or accrued during the period and (iv) cumulative net loss, if any, carried over from other periods. The carryover of previous losses produces incentive fees only on the cumulative increases in the net gains of an account. It should be noted that the full loss is not carried over to the next month in an instance where there has been a partial withdrawal of funds. In such a case, the portion of the loss attributable to the withdrawn amount is first subtracted from the carryover loss. In addition, if an account does not have New Net Trading Profits in a given quarter, no incentive fee will be due to Avalon Capital unless and until the account experiences New Net Trading Profits in a subsequent quarter. The amount of the incentive fee due to Avalon Capital, if any, will be determined independently with respect to each quarter, and the amount of any such fee paid will not be affected by subsequent losses experienced in a participating customer’s account.

XI. CONFLICTS OF INTEREST

Proprietary Trading

The Principals may continue to trade their own accounts and Avalon Capital may trade for its own account as well. Although Avalon Capital will generally trade in parallel with customer accounts, due to differences in leverage, Avalon Capital’s performance may differ significantly from customer performance. Clients will be permitted to inspect the proprietary trading accounts of the Principals and Avalon Capital. The Principals and Avalon Capital will never intentionally favor a proprietary account over a client account, nor will they knowingly permit a proprietary account to trade ahead of a client account.

Trading Multiple Accounts\Bunched Orders

Because of price volatility, occasional variations in liquidity and differences in order execution, it is impossible for Avalon Capital to obtain identical trade execution of all its clients. Such variations and differences may produce differences in performance among client accounts over time. In an effort to treat its clients fairly when block orders for client’s accounts are filled at different prices, Avalon Capital assigns trades on a systematic basis. Specifically, Avalon Capital employs an objective price allocation procedure in which all accounts are listed by account number and then trades are assigned, with the lowest number on the list receiving the lowest buy and the lowest sell and the highest number on the list receiving the highest buy and the highest sell. In regards to partial fills, buys will go to the lowest account numbers first and sells to the highest account numbers first. (See section IX- “Order Entry and Allocation”).

Arrangement Between The Trading Advisor and Option Investments, Inc.

The principals of Avalon Capital are also principals of an introducing broker, Option Investments, Inc (OpVest). OpVest may introduce accounts and receive commission on trades placed in accounts they introduce. In the event that a client should choose OpVest, Avalon Capital could have a conflict of interest resulting from an incentive to trade the client's account more frequently and thus generate increased brokerage commissions for OpVest. The same conflict would apply to any account wherein Avalon Capital was directly receiving the commission as there could be an incentive to trade the account more frequently which may result in overtrading.

Trading Error

Though Avalon Capital will attempt to correct trading errors as soon as they are discovered, it will not be responsible for execution or trading errors committed by third party brokers.

XII. PRINCIPLE RISK FACTORS

In addition to the risks inherent in trading commodity interests pursuant to instructions provided by Avalon Capital, there exist additional risk factors, including those described below, in connection with a customer participating in the Avalon Capital programs. Prospective customers should consider all of the risk factors described below and elsewhere in this Disclosure Document before participating in the Avalon Capital trading programs.

Speculation and Volatility

Commodity interest prices are highly volatile. Price movements for commodity interests are influenced by, among other things: changing supply and demand relationships; weather; agricultural, trade, fiscal, monetary, and exchange control programs and policies of governments; United States and foreign political and economic events and policies; changes in national and international interest rates and rates of inflation; currency devaluations and revaluations; and emotions of the marketplace. None of these factors can be controlled by Avalon Capital and no assurance can be given that Avalon Capital's advice will result in profitable trades for a participating client or that a client will not incur losses.

Margin and Leverage

The low margin deposits normally required in commodity interest trading (typically between 2% and 20% of the value of the contract purchased or sold) permit an extremely high degree of leverage. Accordingly, a relatively small price movement in a contract may result in immediate and substantial losses to the investor. For example, if at the time of purchase 10% of the price of a futures contract is deposited as margin, a 10% decrease in the price of the contract would, if the contract is then closed out, result in a total loss of the margin deposit before any deduction for brokerage commissions. A decrease of more than 10% would result in a loss of more than the total margin deposit. Thus, like other leveraged investments, a trade may result in losses in excess of the amount invested. Notional funded accounts may receive more frequent and larger margin calls.

Price Limits, Liquidity and Stop Loss Orders

It is not always possible to execute a buy or sell order at the desired price, or to close out an open position, due to market illiquidity. Such illiquidity can be caused by intrinsic market conditions (lack of demand or overabundant supply) or it may be the result of extrinsic factors like the imposition of daily price fluctuations limits (which set a floor and ceiling on the price at which a trade may be executed) or circuit breakers (which halt trading in certain stock indexes whenever the Dow Jones Industrial Average or the S&P 500 Stock Index declines or rises by a certain number of points). Finally, although Avalon Capital may utilize stop loss orders in an attempt to limit the Client's losses, there can be no assurances that such orders will be executed at the prices specified and in fact limit losses to the intended amounts.

Counterparty Credit Risk

Under CFTC regulations, FCM's are required to maintain customers' assets in a segregated account. If a participating client's FCM fails to do so, the customer may be subject to a risk of loss of the funds on deposit with the client's FCM in the event of its bankruptcy. In addition, under certain circumstances, such as the inability of another client of the FCM or the FCM itself to satisfy substantial deficiencies in such other client's account, a participating client may be subject to a risk of loss of funds on deposit with the client's FCM. In the case of any such bankruptcy or client loss, a participating client might recover, even in respect of property specifically traceable to the client, only a pro rata share of all property available for distribution to all of the FCM's clients. Even if client funds are properly segregated, a participating client may potentially lose their entire investment.

Trading of Foreign Futures Markets

The Avalon Capital program does not presently but may trade commodity interests on exchanges located outside the United States. Should such trading occur, trades would not fall within the jurisdiction of the CFTC and, in many cases, will take place without the benefit of all the detailed financial, trade practice and customer protection regulations that apply to the activities of United States exchanges and their members.

Trading of Options

The Advisor will engage in the trading of options on futures contracts on behalf of the Client. Each option on a commodity futures contract or physical commodity is a right, purchased for a certain price, to either buy or sell a commodity futures contract or physical commodity during a certain period of time for a fixed price. Although successful commodity options trading requires many of the same skills as does successful commodity futures trading, the risks involved are somewhat different. For example, if Avalon Capital buys an option on behalf of the Client (either to sell or purchase a futures contract or commodity), the Client's account will be charged a "premium" representing the market value of the option. Unless the price of the futures contract or commodity underlying the options changes and it becomes profitable to exercise or offset the option before it expires, the Client's account may lose the entire amount of such premium. Conversely, if Avalon Capital sells an option on behalf of the customer (either to sell or purchase a futures contract or commodity) the Client's account will be credited with the premium but will have to deposit margin due to its contingent liability to take or deliver the futures contract or commodity underlying the option in the event the option is exercised. Sellers of options are subject to the entire loss which occurs in the underlying futures position or underlying commodity (less any premium received). The ability to trade in or exercise options may be restricted in the event that trading on U.S. commodity exchanges is restricted by either the CFTC or such exchanges.

XIII. SPECIAL DISCLOSURE FOR NOTIONALLY FUNDED ACCOUNTS

You should request Avalon Capital to advise you of the amount of cash or other assets (actual funds) which should be deposited to the Avalon Capital's trading program for your account to be considered "fully-funded." This is the amount upon which Avalon Capital will determine the number of contracts traded in your account and should be an amount sufficient to make it unlikely that any further cash deposits would be required from you over the course of your participation in the Advisor's program.

You are reminded that the account size you have agreed to in writing (the “nominal” or “notional” account size) is not the maximum possible loss that your account may experience. You should consult the account statements received from your futures commission merchant in order to determine the actual activity in your account, including profits, losses and current cash equity balance. To the extent that the equity in your account is at any time less than the nominal account size you should be aware of the following:

1. Although your gains and losses, fees and commissions measured in dollars will be the same, they will be greater when expressed as a percentage of account equity.
2. You may receive more frequent and larger margin calls.
3. The disclosures which accompany the performance table may be used to convert the rates-of-return (“ROR”) in the performance table to the corresponding RORs for particular partial funding levels.

ACTUAL RATE OF RETURN ¹	LEVEL OF FUNDING ²			
	100%	50%	40%	30%
30%	30%	60%	75%	100%
20%	20%	40%	50%	66.67%
10%	10%	20%	25%	33.33%
0%	0%	0%	0%	0%
-10%	-10%	-20%	-25%	-33.33%
-15%	-15%	-30%	-37.5%	-50%
RATES OF RETURN BASED ON VARIOUS FUNDING LEVELS ³				

Notional equity creates additional leverage in an account; relative equity creates additional leverage in an account relative to the cash in such account. This additional leverage results in proportionately greater risk of loss and/or opportunity for gain. While the possibility of losing all of the cash in an account is present in all accounts, accounts that contain notional equity have a proportionately greater risk of loss.

¹ This column represents the range of actual rates of return for fully-funded accounts reflected in the accompanying performance table.

² These values represent the percentage of actual funds divided by the fully-funded trading level. Funding levels selected should include most common funding percentage selected and lowest level of funding allowed.

³ These columns represent the rate of return experienced by a client at various levels of funding traded by the trading advisor. The rates of returns for accounts that are not fully-funded are inversely proportional to the actual rates of return based on the percentage level of funding.

XIV. PERFORMANCE

AVALON CAPITAL ADVISORS

Capsule Performance Summary

Period 10/1/2006 to 10/31/2008

LIDO PROGRAM

Inception of trading by the CTA	Oct-06
Inception of trading pursuant to current program	Oct-06
# of accounts traded pursuant to the program as of 10/31/2008	5
Total actual assets under management by CTA	\$1,146,175
Total actual assets under this program	\$248,574
Total nominal assets under this program	\$298,574
Total nominal assets under management by CTA	\$1,196,175
Largest monthly draw-down	-4.98% Jun-08
Worst Peak to valley draw-down	-20.23% Oct. 1, 2006 – Jul. 31, 2008
Performance Range for profitable accounts that have opened & closed since Oct. 06	0
Performance Range for losing accounts that have opened & closed since Oct. 06	2 (-3.34% to -7.64%)

Monthly Rate of Return

Year	Jan%	Feb%	Mar%	April%	May%	June%	July%	Aug%	Sep%	Oct %	Nov%	Dec%	YTD %
2006										-3.96%	-1.08%	0.34%	-4.67%
2007	0.68%	-0.40%	-0.15%	1.92%	-3.05%	-4.45%	0.84%	-0.07%	-3.05	-0.29	-2.04	0.79	-9.07%
2008	0.98%	6.05%	-3.47%	-2.15%	-3.64%	-4.98%	-0.64%	1.04%	1.53%	6.19%			0.25%

Notes:

- 1) Drawdown means losses experienced by the composite over a specified period.
- 2) Rate of Return is calculated by dividing the Net Performance by the Adjusted Beginning Net Asset Value (Beginning Net Asset Value plus time weighted additions and withdrawals) multiplied by 100.
- 3) Worst Peak-to-Valley draw-down is the greatest cumulative percentage decline in month-end net asset value of the composite due to losses during a period in which the initial month-end net asset value is not equaled or exceeded by a subsequent month-end net asset value.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

AVALON CAPITAL ADVISORS

Capsule Performance Summary

Period 01/11/2007 to 10/31/2008

CORONADO PROGRAM

Inception of trading by the CTA	Oct-06
Inception of trading pursuant to current program	Jan-07
# of accounts traded pursuant to the program as of 10/31/2008 (Program is being traded in Avalon Strategic Capital Fund, LP)	1
Total actual assets under management by CTA	\$1,146,175
Total actual assets under this program	\$897,601
Total nominal assets under this program	\$897,601
Total nominal assets under management by CTA	\$1,196,175
Largest monthly draw-down	-3.30% Oct-07
Worst Peak to valley draw-down	-5.34% May 01, 2007 – Nov. 30, 2007
Performance Range for profitable accounts that have opened & closed since Oct. 06	0
Performance Range for losing accounts that have opened & closed since Oct. 06	0

Monthly Rate of Return

Year	Jan %	Feb %	Mar %	Apr %	May %	June %	July %	Aug %	Sep %	Oct %	Nov %	Dec %	YTD %
2007	0.09	0.24	-1.30	3.92	-0.23	-1.42	-0.77	1.61	-0.38	-3.30	-0.89	4.22	1.55%
2008	0.45	2.70	0.41	0.42	0.88	0.72	0.24	0.76	2.05	2.22			11.36%

Notes:

- 1) Drawdown means losses experienced by the composite over a specified period.
- 2) Rate of Return is calculated by dividing the Net Performance by the Adjusted Beginning Net Asset Value (Beginning Net Asset Value plus time weighted additions and withdrawals) multiplied by 100.
- 3) Worst Peak-to-Valley draw-down is the greatest cumulative percentage decline in month-end net asset value of the composite due to losses during a period in which the initial month-end net asset value is not equaled or exceeded by a subsequent month-end net asset value.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

OPENING AN ACCOUNT

A client opening a managed account must complete and sign the following Avalon Capital Advisors, LLC documents:

- (1) Acknowledgment of Receipt of Disclosure Document;
- (2) Avalon Capital Advisors, LLC Advisory Agreement/Limited Power of Attorney;
- (3) Client Information Questionnaire;
- (4) Fee Payment Authorization.

MISCELLANEOUS

THIS DISCLOSURE DOCUMENT DOES NOT PURPORT TO DISCUSS ALL OF THE RISKS CONCERNING TRADING IN COMMODITY FUTURES OR AVALON CAPITAL'S MANAGED ACCOUNT PROGRAMS.

BECAUSE OF THE COMPLEXITY OF THE TAX LAWS AND THE DIFFERENT CONSIDERATIONS APPLICABLE TO EACH MANAGED ACCOUNT AND CLIENT, THIS DISCLOSURE DOCUMENT DOES NOT PROVIDE TAX ADVICE. EACH CLIENT SHOULD CONSULT HIS OWN TAX ADVISORS TO DETERMINE THE TAX CONSEQUENCES TO HIM OF AN INVESTMENT IN AN ACCOUNT.

IN ADDITION TO THIS DISCLOSURE DOCUMENT, AN ADDITIONAL RISK DISCLOSURE DOCUMENT AND VARIOUS RELATED DOCUMENTS OF THE RELEVANT FCM OR IB WILL BE PROVIDED FOR YOUR INSPECTION AND REVIEW. THE ADVISOR MAY MAKE ITS SERVICES AVAILABLE THROUGH DIFFERENT FCM'S OR IB'S WHERE AN ACCOUNT MAY BE TRADED AND IN SUCH EVENT RELEVANT INFORMATION REGARDING THE SAME WILL BE PROVIDED TO PARTICIPANTS. FURTHER INFORMATION REGARDING THE ADVISOR IS AVAILABLE UPON REQUEST AT THE ADDRESS AND TELEPHONE NUMBER LISTED ON THE COVER OF THIS DISCLOSURE DOCUMENT.

Privacy Policy

Avalon Capital Advisors, LLC, (“Avalon Capital” or the “CTA”) is committed to protecting investors’ privacy and maintaining the confidentiality and security of investors’ personal information. In accordance with its legal obligations, the CTA is required to inform investors how it treats certain information concerning investors to aid their understanding in how it handles investors’ personal information and how such information is used to service investors.

Protecting investors’ personal information is an important priority for the CTA. Accordingly, it uses the personal information collected about investors in order to provide better service. The CTA may collect nonpublic personal information about investors from the following sources: (i) applications or forms (for example, name, address, Social Security number, birth date, assets and income); (ii) transactional activity in investors’ accounts (for example, trading history and balances); and (iii) other investors within Avalon Capital or between Avalon Capital and its affiliates (for example, discussions with staff).

The CTA only discloses nonpublic personal information about investors or former investors (including information regarding transactions or experiences with investors or former clients) to affiliates in the areas of financial, advisory and securities services and nonaffiliated third parties who assist the CTA in providing service to investors (for example, accountants and attorneys), each as permitted by law or as otherwise required by law. Regulatory agencies upon request, may review customer information in some instances.

The CTA considers the protection of sensitive information to be a sound business practice and a foundation of customer trust and protects investors’ personal information by maintaining physical, electronic and procedural safeguards that meet or exceed applicable legal requirements. The CTA restricts inter-company access to investors’ or former clients’ nonpublic personal information to those employees who need to know that information to provide products or services to investors.

EXHIBIT A

COMMODITY ADVISOR AGREEMENT

THIS AGREEMENT FOR ADVISORY SERVICES is made and entered into this ___ day of _____, 200___, by and between Avalon Capital Advisors, LLC, a California limited liability company, hereinafter alternatively referred to as “Avalon Capital” or the “Advisor” and _____, hereinafter referred to as the “Client.”

THIS AGREEMENT IS ENTERED INTO BASED UPON THE FOLLOWING REPRESENTATIONS: The Client represents that he has speculative capital for the principal purpose of investing in commodity and financial futures contracts and has been informed and is fully cognizant of the high risks associated with such investments.

IT IS MUTUALLY AGREED:

1. The Client shall deposit with _____, hereinafter called “Broker,” who is mutually acceptable to both the Client and the Advisor and has been selected by client, funds and/or securities in the amount of \$_____ or more, for an Account whose level of trading, risk, and advisory fees shall be based on the Account Size. As of the date of this Agreement, the Account Size shall be \$_____.

2. Avalon Capital is hereby authorized to trade the Client’s account pursuant to the Coronado Program _____, the Balboa Program _____, or the Lido Program _____ (check one) as described in the Advisor’s Disclosure Document.

3. Avalon Capital is hereby authorized as agent and attorney-in-fact, with full discretion to buy, sell (including short sales) and trade in commodity futures contracts, commodity options contracts and forward currency contracts, on margin or otherwise, for Client’s Account. Client hereby agrees to indemnify and hold Avalon Capital, its principals and affiliates, harmless from, and pay Avalon Capital promptly upon demand, any and all loss, cost, indebtedness and liabilities arising therefrom. Client hereby ratifies and confirms any and all transactions made by Avalon Capital on behalf of or for the Account of Client, and that Client shall have no right of prior consultation with Avalon Capital or of approval of particular trades. Avalon Capital is authorized to act for Client in the same manner and with the same force and effect as the Client might or could do with transactions in the markets traded by Avalon Capital. Client recognizes that Avalon Capital will transmit orders on Client’s behalf to the Broker but will not directly execute such orders. Avalon Capital shall not be responsible for any acts, omissions, or errors of the Broker in executing such orders. Client authorizes Avalon Capital to enter into all arrangements on Client’s behalf which are necessary or appropriate in the judgment of Avalon Capital to carry out the obligations of Avalon Capital under this Agreement.

4. From the date hereof and until the Account is closed the Client does hereby irrevocably constitute and appoint Avalon Capital as the true and lawful agent with full discretionary authority over the Account to buy, sell (including short sales), trade and otherwise deal in commodities for the Account. The Power-of-Authority granted hereby shall be deemed coupled with an interest; shall be irrevocable; and shall survive death or the incapacity of the Client until such time as the Account shall be closed. Client understands that Client may revoke this Power-of-Authority upon prior written notice to the Advisor at any time (although withdrawals may only be made at month-end).

5. The Client acknowledges that he has read a copy of the Advisor’s Disclosure Document, including the Risk Disclosure Statement. The Advisor makes no guarantee that any of its services will result in a profit or will not result in a loss for the Client. The Advisor will not be liable to the Client or to others except by reason of acts constituting willful malfeasance or gross negligence as to its duties herein, and disclaims any liability for human or machine errors.

6. The Advisor’s recommendations and authorizations shall be for the Account and risk of the Client. The Client has discussed the risks of futures trading with the Broker and understands those risks. The Client assumes the responsibility for losses that may be incurred.

7. The Client is aware of the risks involved in opening an Account including, without limitation, the speculative character of trading in commodities and options thereon; the possibility that an entire investment may be lost and that in the case of futures, liability could exceed the assets in the Client's Account; the fact that the Account will be subject to brokerage commissions and management fees regardless of whether profits are earned; and that even if best efforts are used to close out all positions in the Account at a particular time, there is no assurance that any such open positions will be closed out without incurring substantial additional losses. Client has read, carefully considered and understands the Disclosure Document describing the Managed Account Program, and Client accepts the risks referred to therein. Client further represents that he has the financial capacity to undertake such risks.

8. The Client agrees to execute a limited trading authorization with his/her Broker/Dealer authorizing the Advisor to enter orders for futures market contracts and/or cash market contracts for the Client's Account. It is agreed and understood by the Client that the Advisor has no responsibility for the proper execution of orders by the Broker. There are no verbal agreements between the parties.

9. The Client may add to at any time or withdraw actual funds monthly from his Account as long as the Account's minimum nominal account size is maintained at or above a \$50,000 level for the Advisor's Lido trading program, \$250,000 for the Advisor's Balboa trading program and \$1,000,000 for the Advisor's Coronado trading program. The Client agrees to notify the Advisor in writing in advance of such additions or withdrawals.

10. The Client recognizes that the potential profitability of the Account depends upon long-term, uninterrupted investment of capital and that reduction of the Account's Net Asset Value could materially and adversely affect the diversification among commodities of the Account and the potential profitability of the Account.

11. Avalon Capital will charge Client two types of fees: (1) a monthly management fee equal to one-twelfth of two percent (1/12 of 2%) of Net Asset Value at month-end, and (2) a quarterly incentive fee equal to twenty percent (20%) of the Account's Trading Profits for the quarter. The terms "Net Asset Value" and "Trading Profits" are defined below. The monthly management fee will be paid whether or not the Account has a profit. However, the quarterly incentive fee is payable only on cumulative profits. For example, if the Account incurs losses after an incentive fee payment is made, Avalon Capital will retain the payment but will receive no further incentive fee in subsequent quarters until trading profits have been earned.

Net Asset Value means total funds available to Avalon Capital for trading purposes. It is the sum of:

- a. The initial trading level as declared by the Client in Avalon Capital's Advisory Agreement, including all cash and/or Treasury bills deposited in the account, as well as all notional funds declared. Any declaration of additional leverage by use of notional funds must be given to Avalon Capital in writing before the commencement of trading.
- b. Cumulative profit or loss in the Account with all open commodity interest contract positions and calculated at their then market value which means, with respect to open commodity positions, the settlement price as determined by the exchange on which the transaction is effected or the most recent appropriate quotation as supplied by the clearing broker or banks through which the transaction is effected. If there are no trades on the date of the calculation due to the operation of the daily price fluctuation limits or due to a closing of the exchange on which the transaction is executed, the contract will be valued at the fair market value as determined by Avalon Capital.
- c. Identifiable interest income less fees and brokerage commissions (including accrued commissions on open positions), but before management and incentive fee.

Trading Profits during a quarter means the excess (if any) of the Net Asset Value at the end of the quarter over the highest Net Asset Value at the end of any preceding calendar quarter (i.e., the last quarter in which an incentive fee was payable), after deducting from the latter, but not the former, all brokerage commissions and management fees, and deducting from both the incentive fee for such preceding quarter and adjusting for all additions and withdrawals of capital subsequent to such preceding quarter and including interest income.

The monthly management fee is due and payable on the last business day of each month and the quarterly incentive fee is due and payable on the last business day of each calendar quarter. The management fee will be pro rated for partial months and payable on withdrawal. The incentive fee will also be payable pro rata in the case of a withdrawal prior to the end of a calendar quarter within a reasonable time after such withdrawal. Shortly after the end

of each month, Avalon Capital shall prepare a statement setting forth the amount of monthly management fees and/or quarterly incentive fees payable to Avalon Capital and shall furnish such statement to the Broker. Upon submission of the statement to the Broker, the Broker and Avalon Capital are authorized by Client to deduct these fees directly from Client's Account. Avalon Capital shall furnish Client with a copy of the statement presented to the Broker. Client agrees to assure payment to Avalon Capital of applicable management and incentive fees within five business days of the date of such fees become due and payable.

12. The Broker will furnish Client with confirmations of all transactions effected in the Account and with a monthly statement showing information concerning trading activities in the Account, and Broker will furnish Client with a statement of any supporting collateral Accounts. Copies of all aforementioned confirmations and statements will be sent simultaneously by the Broker to both Client and Avalon Capital. The furnishing of such reports shall be the sole responsibility of the Broker, and Client recognizes that Avalon Capital is not required to furnish such reports to Client.

13. Client recognizes that the Broker has sole responsibility for providing confirmations and reports to Client concerning the trading activity in the Account and has sole responsibility to execute orders entered on behalf of Client by Avalon Capital. Client understands that the Broker, rather than Avalon Capital, will have full custody of Client's funds and commodity market positions and that Client will be required to pay brokerage commissions to the Broker with respect to all transactions effected in the Account.

14. Client authorizes the various Introducing Brokers and Futures Commission Merchants through which the Account is and may be traded to follow the various trading decisions and orders communicated by Avalon Capital to the same. Further, Client acknowledges that all trades made by Avalon Capital for the Account hereunder shall solely and strictly be for Client's own risk. Client acknowledges that Avalon Capital assumes no risk or obligation as to any losses from trading which occur in Client's Account and, in addition to the foregoing, Client agrees to hold Avalon Capital, as well as Avalon Capital's successors and assigns, harmless and agrees to indemnify each of the same fully against any and all losses, costs, damages (including, without limitation, consequential losses and attorneys' fees) in any fashion pertaining to or arising out of the Account outside of Avalon Capital's willful malfeasance or gross negligence.

15. This Agreement shall automatically terminate upon the death, dissolution, legal disability or bankruptcy of either party. Either party may terminate this Agreement by giving the other notice; termination shall be effective on the date such written notice is actually received by the party. If Client elects to terminate this Agreement, it shall pay Avalon Capital the management fee (on a pro rata basis in accordance with the number of days the Account is managed) and the incentive fee, if any, applicable through the last day of trading in the Account. If Avalon Capital elects to terminate this Agreement, fees shall be payable to Avalon Capital through the last day of trading in the Account. Client acknowledges that liquidations may be required upon any such termination which could result in losses.

16. All transactions on Client's behalf shall be subject to the applicable constitution, rules, regulations, customs, usages, rulings and interpretations of any exchange or market and its clearing house, if any, on which transactions are executed for Client's Account, and to all applicable governmental acts and statutes (such as the Commodity Exchange Act, as amended) and to rules and regulations thereunder. Avalon Capital and Avalon Capital's successors and assigns shall not be liable to Client as a result of any action taken to comply with any such constitution, rule, regulation, custom, usage, ruling, interpretation, act or statute.

17. This Agreement constitutes the entire Agreement between the parties, and no modifications or amendments of this Agreement shall be binding unless in writing and signed by the participants hereto.

18. This Agreement shall be governed by the laws of the State of California. If any term or provision hereof, or the application thereof to any person or circumstances, shall to any extent be contrary to any exchange or government regulations or otherwise invalid or unenforceable, the remainder of this Agreement or the application of such terms or provision to persons or circumstances other than those to which it is contrary, invalid or unenforceable shall not be affected thereby, and shall be enforced to the fullest extent permitted by regulation and law.

19. Notices. Any notices required to be given hereunder shall be in writing and sent by certified or registered mail, return receipt requested, to Avalon Capital Advisors, LLC at 8001 Irvine Drive, Suite 1020, Irvine California 92618 and to Client at the address set forth above in this Agreement. Either party may change his address by giving notice in writing to the other party stating his new address. Commencing on the tenth day after the giving of such notice, such newly designated address shall be the party's address for the purpose of all notices or communications required or permitted to be given pursuant to this Advisory Agreement. Notices to Client from Avalon Capital shall be deemed given as of the close of business on the first business day after mailing. Notices to Avalon Capital from Client shall be deemed given as of the close of business on the day of which such notices are received by Avalon Capital.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year written on the first page of this Agreement.

AVALON CAPITAL ADVISORS, LLC

By: _____

(Print Name) as (Print Title)

Signature(s) of Client(s)

Client(s) Address

CLIENT INFORMATION QUESTIONNAIRE

Under Rule 2-30 of the National Futures Association, Avalon Capital is required to obtain specified information about our individual futures clients. Please assist us by completing the information requested below:

Client Name: _____

Date of Birth: _____

Home Address (street, city, state and zip): _____

Principal Occupation or Business: _____

Business Address and Telephone: _____

Annual Income for Previous Two Years: _____

Estimated Annual Income for Current Year: _____

Estimated Net Worth: _____

Previous Investment and Futures Trading Experience (please describe in some detail, if applicable):

Date: _____

Signed: _____

Anti-Money Laundering Provisions

INDIVIDUAL CLIENTS: In accordance with U.S. Anti-Money Laundering and other requirements, the Commodity Trading Advisor (“CTA”) is required to obtain documentation supporting the identity of each of its clients. Therefore, each individual Client must submit with this Client Agreement a legible photocopy of a valid government-issued photo identification (such as a driver’s license or passport). Clients who are unable to meet this requirement should contact the CTA.

NON-NATURAL PERSON CLIENTS: In accordance with U.S. Anti-Money Laundering and other requirements, the CTA is required to obtain documentation supporting the identity of each of its clients and demonstrating that each client observes procedures to prevent and detect money-laundering by its beneficial owner(s). Therefore, each non-natural person Client must submit with these subscription materials the following documents (Clients who are unable to meet these requirements should contact the CTA).

- Evidence that the Client has been duly organized in its jurisdiction of organization;
- Copy of the resolution granting Directors/Principals/ Partners authority to invest with the CTA;
- List of Directors/Principals/Partners, including background information;
- Original authorized signatory list;
- Taxpayer identification number (U.S. taxpayers only);
- Certification from the Client that it has implemented and complies with anti-money laundering policies, procedures and controls (“AML Certificate”);
- In the case of a trust, evidence of the trustee’s authority to make the contemplated investment and the identities of beneficiaries, settlor(s), trustee(s) and any persons who have the power to remove trustees, as well as of authorized activity of the trust and the persons authorized to act on behalf of the trust;
- Description of the Client’s primary lines of business;
- All publicly available information from law enforcement agencies or regulatory authorities regarding Client;
- Client’s annual report, if applicable, and bank references; and
- Copy of Client’s anti-money laundering and investor due diligence policies, procedures and controls.

AUTHORIZATION TO PAY FEES

(Broker) _____

You are hereby authorized to deduct and remit to Avalon Capital Advisors, LLC (the "Advisor") such management and incentive fees ("Fees") as the Advisor requires on a monthly or quarterly basis, respectively, in accordance with the Advisor's disclosure document and Commodity Advisor Agreement between the undersigned and the Advisor.

The Advisor will inform you of the exact amounts due on the agreed upon payment dates. The undersigned acknowledges and agrees that the advisor is solely responsible for the computation of Fees and authorizes you to rely on remittance instructions submitted by the Advisor, completely without regard to amount and without further direction or confirmation from the undersigned.

The authorization will continue in effect until you have received written notice terminating it from the undersigned. Such notice will be mailed or delivered to the Advisor by the undersigned.

Client(s) Signature(s)

Client(s) Address

Date: _____

AVALON CAPITAL ADVISORS, LLC
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ACKNOWLEDGMENT OF RECEIPT
OF AVALON CAPITAL ADVISORS, LLC DISCLOSURE DOCUMENT

Gentleman:

This is to acknowledge that I have received a copy of the January 31, 2009 Disclosure Document detailing the Managed Account Programs of Avalon Capital Advisors, LLC

I understand the risks of commodity trading and represent to Avalon Capital Advisors, LLC that the trading programs described in this Disclosure Document would be an appropriate investment for me in light of my financial circumstances.

Read and Acknowledged by:

Client's Signature

Date

Read and Acknowledged by:

Client's Signature

Date

COMMODITY FUTURES TRADING COMMISSION
OPTIONS DISCLOSURE STATEMENT

BECAUSE OF THE VOLATILE NATURE OF THE COMMODITIES MARKETS, THE PURCHASE AND GRANTING OF COMMODITY OPTIONS INVOLVE A HIGH DEGREE OF RISK. COMMODITY OPTION TRANSACTIONS ARE NOT SUITABLE FOR MANY MEMBERS OF THE PUBLIC. SUCH TRANSACTIONS SHOULD BE ENTERED INTO ONLY BY PERSONS WHO HAVE READ AND UNDERSTOOD THIS DISCLOSURE STATEMENT AND WHO UNDERSTAND THE NATURE AND EXTENT OF THEIR RIGHTS AND OBLIGATIONS AND OF THE RISKS INVOLVED IN THE OPTION TRANSACTIONS COVERED BY THIS DISCLOSURE STATEMENT.

BOTH THE PURCHASER AND THE GRANTOR SHOULD KNOW WHETHER THE PARTICULAR OPTION IN WHICH THEY CONTEMPLATE TRADING IS AN OPTION, WHICH, IF EXERCISED, RESULTS IN THE ESTABLISHMENT OF A FUTURES CONTRACT (AN "OPTION ON A FUTURES CONTRACT") OR RESULT IN THE MAKING OR TAKING OF DELIVERY OF THE ACTUAL COMMODITY UNDERLYING THE OPTION (AN "OPTION ON A PHYSICAL COMMODITY SHOULD BE AWARE THAT IN CERTAIN CASES, THE DELIVERY OF THE ACTUAL COMMODITY UNDERLYING THE OPTION MAY NOT BE REQUIRED AND THAT, IF THE OPTION IS EXERCISED, THE OBLIGATIONS OF THE PURCHASER AND GRANTOR WILL BE SETTLED IN CASH.

A PERSON SHOULD NOT PURCHASE ANY COMMODITY OPTION UNLESS HE IS ABLE TO SUSTAIN A TOTAL LOSS OF THE PREMIUM AND TRANSACTION COSTS OF PURCHASING THE OPTION. A PERSON SHOULD NOT GRANT ANY COMMODITY OPTION UNLESS HE IS ABLE TO MEET ADDITIONAL CALLS FOR MARGIN WHEN THE MARKET MOVES AGAINST HIS POSITION AND, IN SUCH CIRCUMSTANCES, TO SUSTAIN A VERY LARGE FINANCIAL LOSS.

A PERSON WHO PURCHASED AN OPTION SHOULD BE AWARE THAT IN ORDER TO REALIZE ANY VALUE FROM THE OPTION, IT WILL BE NECESSARY EITHER TO OFFSET THE OPTION POSITION OR TO EXERCISE THE OPTION. IF AN OPTION PURCHASER DOES NOT UNDERSTAND HOW TO OFFSET OR EXERCISE AN OPTION, THE PURCHASER SHOULD REQUEST AN EXPLANATION FROM THE FUTURES COMMISSION MERCHANT OR THE INTRODUCING BROKER. CUSTOMERS SHOULD BE AWARE THAT IN A NUMBER OF CIRCUMSTANCES, SOME OF WHICH WILL BE DESCRIBED IN THIS DISCLOSURE STATEMENT, IT MAY BE DIFFICULT OR IMPOSSIBLE TO OFFSET AN EXISTING OPTION POSITION ON AN EXCHANGE.

THE GRANTOR OF AN OPTION SHOULD BE AWARE THAT, IN MOST CASES, A COMMODITY OPTION MAY BE EXERCISED AT ANY TIME FROM THE TIME IT IS GRANTED UNTIL IT EXPIRES. THE PURCHASER OF AN OPTION SHOULD BE AWARE THAT SOME OPTION CONTRACTS MAY PROVIDE ONLY A LIMITED PERIOD OF TIME FOR EXERCISE OF THE OPTION.

THE PURCHASER OF A PUT OR CALL IS SUBJECT TO THE RISK OF LOSING THE ENTIRE PURCHASE PRICE OF THE OPTION--THAT IS THE PREMIUM PAID FOR THE OPTION PLUS ALL TRANSACTION COSTS.

THE COMMODITY FUTURES TRADING COMMISSION REQUIRES THAT ALL CUSTOMERS RECEIVE AND ACKNOWLEDGE RECEIPT OF A COPY OF THIS DISCLOSURE STATEMENT BUT DOES NOT INTEND THIS STATEMENT AS A RECOMMENDATION OR ENDORSEMENT OF EXCHANGE-TRADED COMMODITY OPTIONS.

- (1) Some of the risks of option trading.

Specific market movements of the underlying future or underlying physical commodity cannot be predicted accurately.

The grantor of a call option who does not have a long position in the underlying futures contract or underlying physical commodity is subject to risk of loss should the price of the underlying futures contract or underlying physical commodity be higher than the strike price upon exercise or expiration of the option by an amount greater than the premium received for granting the call option.

The grantor of a call option who has a long position in the underlying futures contract or underlying physical commodity is subject to the full risk of a decline in price or the underlying position reduced by the premium received for granting the call. In exchange for the premium received for granting a call option, the option grantor gives up all of the potential gain resulting from an increase in the price of the underlying futures contract or underlying physical commodity above the option strike price upon exercise or expiration of the option.

The grantor of a put option who does not have a short position in the underlying futures contract or underlying physical commodity (e.g., commitment to sell the physical) is subject to risk of loss should the price of the underlying futures contract or underlying physical commodity decrease below the strike price upon exercise or expiration of the option by an amount in excess of the premium received for granting the put option.

The grantor of a put option on a futures contract who has a short position in the underlying futures contract is subject to the full risk of a rise in the price in the underlying position reduced by the premium received for granting the put. In exchange for the premium received for granting a put option on a futures contract, the option grantor gives up all of the potential gain resulting from a decrease in the price of the underlying futures contract below the option strike price upon exercise or expiration of the option. The grantor of a put option on a physical commodity who has a short position (e.g., commitment to sell the physical) is subject to the full risk of a rise in the price of the physical commodity which must be obtained to fulfill the commitment reduced by the premium received for granting the put. In exchange for the premium, the grantor of a put option on a physical commodity gives up all of the potential gain which would have resulted from a decrease in the price of the commodity below the option strike price upon exercise or expiration of the option.

(2) Description of commodity options.

Prior to entering into any transaction involving a commodity option, an individual should thoroughly understand the nature and type of option involved and the futures contract or physical commodity. The futures commission merchant or introducing broker is required to provide, and the individual contemplating an option transaction should obtain:

(i) An identification of the futures contract or physical commodity underlying the option and which may be purchased or sold upon exercise of the option or, if applicable, whether exercise of the option will be settled in cash;

(ii) The procedure for exercise of the option contract, including the expiration date and latest time on that date for exercise. (The latest time on an expiration date when an option may be exercised may vary; therefore, option market participants should ascertain from their futures commission merchant or their introducing broker the latest time the firm accepts exercise instructions with respect to a particular option.);

(iii) A description of the purchase price of the option including the premium, commissions, costs, fees and other charges. (Since commissions and other charges may vary widely among futures commission merchants and among introducing brokers, option customers may find it advisable to consult more than one firm when opening an option account.);

(iv) A description of all costs in addition to the purchase price which may be incurred if the commodity option is exercised, including the amount of commissions (whether termed sales commissions or otherwise), storage, interest and all similar fees and charges which may be incurred;

(v) An explanation and understanding of an option grantor's initial margin requirement and obligation to provide additional margin in connection with such an option position, or a position in a futures contract, if applicable;

(vi) A clear explanation and understanding of any clauses in the option contract and of any items included in the option contract explicitly or by reference which might affect the customer's obligations under the contract. This would include any policy of the futures commission merchant or the introducing broker or rule of the exchange on which the option is traded that might affect the customer's ability to fulfill the option contract or to offset the option position in a closing purchase or closing sale transaction (for example, due to unforeseen circumstances that require suspension or termination of trading); and

(vii) If applicable, a description of the effect upon the value of the option position that could result from limit moves in the underlying futures contract.

(3) The mechanics of option trading.

Before entering into any exchange-traded option transaction, an individual should obtain a description of how commodity options are traded.

Option customers should clearly understand that there is no guarantee that option positions may be offset by either a closing purchase or closing sale transaction on an exchange. In this circumstance, option grantors could be subject to the full risk of their positions until the option position expires, and the purchaser of a profitable option might have to exercise the option to realize a profit.

For an option on a futures contract, an individual should clearly understand the relationship between exchange rules governing option transactions and exchange rules governing the underlying futures contract. For example, an individual should understand what action, if any, the exchange will take in the option market if trading in the underlying futures market is restricted or the futures prices have made a "limit move."

The individual should understand that the option may not be subject to daily price fluctuation limits while the underlying futures may have such limits, and, as a result, normal pricing relationships between options and the underlying future may not exist when the future is trading at its price limit. Also, underlying futures positions resulting from exercise of options may not be capable of being offset if the underlying future is at a price limit.

(4) Margin requirements.

Commodity Futures Trading Commission rules require the purchaser of an option to pay the full option premium when the option position is opened.

Before granting an option, an individual should fully understand the applicable margin requirements, and particularly should be aware of the obligation to put up additional margin money in the case of adverse market moves.

(5) Profit potential of an option position.

An option customer should carefully calculate the price which the underlying futures contract or underlying physical commodity would have to reach for the option position to become profitable. This price would include the amount by which the underlying futures contract or underlying physical commodity would have to rise above or fall below the strike price to cover the sum of the premium and all other costs incurred in entering into and exercising or closing (offsetting) the commodity option position.

Also, an option customer should be aware of the risk that the futures price prevailing at the opening of the next trading day may be substantially different from the futures price which prevailed when the option was exercised. Similarly, for options on physicals that are cash settled, the physicals price prevailing at the time the option is exercised may differ substantially from the cash settlement price that is determined at a later time. Thus, if a customer does not cover the position against the possibility of underlying commodity price change, the realized price upon option exercise may differ substantially from that which existed at the time of exercise.

(6) Deep-out-of-the-money options.

A person contemplating purchasing a deep-out-of-the-money option (that is, an option with a strike price significantly above, in the case of a call, or significantly below, in the case of a put, the current price of the underlying

futures contract or underlying physical commodity) should be aware that the chance of such an option becoming profitable is ordinarily remote.

On the other hand, a potential grantor of a deep-out-of-the-money option should be aware that such options normally provide small premiums while exposing the grantor to all of the potential losses described in section (1) of this disclosure statement.

(7) Glossary of Terms.

(i) Contract market - Any board of trade (exchange) located in the United States which has been designated by the Commodity Futures Trading Commission to list a futures contract or commodity option for trading.

(ii) Exchange-traded option; put option; call option -- The options discussed in this disclosure statement are limited to those which may be traded on a contract market. These options (subject to certain exceptions) give an option purchaser the right to buy in the case of a call option, or to sell in the case of a put option, a futures contract or the physical commodity underlying the option at the stated strike price prior to the expiration date of the option. Each exchange-traded option is distinguished by the underlying futures contract or underlying physical commodity, strike price, expiration date, and whether the option is a put or a call.

(iii) Underlying futures contract - - The futures contract which may be purchased or sold upon the exercise of an option on a futures contract.

(iv) Underlying physical commodity -- The commodity of a specific grade (quality) and quantity which may be purchased or sold upon the exercise of an option on a physical commodity.

(v) Class of options -- A put or a call covering the same underlying futures contract or underlying physical commodity.

(vi) Series of options -- Options of the same class having the same strike price and expiration date.

(vii) Exercise price -- See strike price.

(viii) Expiration date -- The last day when an option may be exercised.

(ix) Premium --The amount agreed upon between the purchaser and seller for the purchase or sale of a commodity option.

(x) Strike price -- The price at which a person may purchase or sell the underlying futures contract or underlying physical commodity upon exercise of a commodity option. This term has the same meaning as the term "exercise price."

(xi) Short option position -- See opening sale transaction.

(xii) Long option position -- See opening purchase transaction.

(xiii) Types of options transactions --

(A) Open purchase transaction -- A transaction in which an individual purchases an option and thereby obtains a long option position.

(B) Opening sale transaction -- A transaction in which an individual grants an option and thereby obtains a short option position.

(C) Closing purchase transaction -- A transaction in which an individual with a short option position liquidates the position. This is accomplished by a closing purchase transaction for an option of the same series as the option previously granted. Such a transaction may be referred to as an offset transaction.

(D) Closing sale transaction -- A transaction in which an individual with a long option position liquidates the position. This is accomplished by a closing sale transaction for an option of the same series as the option previously purchased. Such a transaction may be referred to as an offset transaction.

(xiv) Purchase price -- The total actual cost paid or to be paid, directly or indirectly, by a person to acquire a commodity option. This price includes all commissions and other fees, in addition to the option premium.

(xv) Grantor, writer, seller -- An individual who sells an option. Such a person is said to have a short position.

(xvi) Purchaser -- An individual who buys an option. Such a person is said to have a long position.