



THE AVALON FREEDOM ISA

Brochure and Key Features



THE AVALON FREEDOM ISA

Freedom of choice

With the Freedom ISA you are free to invest your ISA money the way **you** want to.

Through the Freedom ISA you can invest in **any** eligible unit trust, OEIC or investment trust.

With most ISAs you are restricted to the ISA manager's own funds or a specific range of fund links, but with the Freedom ISA you can invest in all the best performing funds in the market.

This means, for example, you can invest in the best UK, European and US funds and even brand new fund launches often not available with other providers. As the choice is totally open there is no need to compromise, you really can have the 'best of the best'!

Why accept anything less?



Value too

Avalon has negotiated substantial discounts, typically 4.5% to 5.0% (and in some cases the entire initial charge) with all the leading fund managers. These discounts mean that the initial cost of the investment and any future switches between funds is kept to a minimum.

A summary of the benefits

- **The choice of practically any of the leading investment companies in the UK**
- **The ability to tailor fund portfolios by sector, by manager, by strategy or by a combination of any factors you choose**
- **Substantial discounts negotiated with most fund management groups making it possible to buy their units and switch between fund managers at low cost**
- **The sheer convenience of one statement to read and one point of contact, no matter how many investment companies you choose**

Quite simply, the Avalon Freedom ISA could be the only ISA you will ever need.

KEY FEATURES OF THE AVALON FREEDOM ISAs

Its aims

The Avalon Freedom ISA has been developed to offer you the opportunity to invest with any of the UK's leading fund managers - providing a unique combination of diversity and flexibility.

The Avalon Freedom ISA offers:

- The opportunity to increase the value of your capital.
- Market-wide choice of virtually any eligible unit trust, OEIC (Open Ended Investment Company) or investment trust.
- The ability to tailor your portfolio by sector, by manager, by strategy or by a combination of any factors you choose.
- The flexibility to switch funds/trusts whenever you want and at very low cost, whether to suit stock market conditions or in response to a change in attitude to risk.

The investment

You can invest in an Avalon Freedom ISA either by lump sum or monthly subscriptions. You may also transfer existing Cash or Stocks and Shares ISAs or ex-PEPs held with other plan managers to Avalon. The investment limits are explained fully below.

You may not invest into equities or investment trusts on a monthly basis.

The risk factors

Past performance is not necessarily a guide to future performance and the value of your investment may fall as well as rise, and any income received in the form of dividends may fluctuate. You may not get back the full amount when the account is closed.

If you invest in investment trusts you should be aware that the share price might not always reflect the underlying net asset value of the investments in its portfolio. If the share price is higher than the net asset value per share this is known as a premium and if it is lower it is known as a discount.

Investment trusts may borrow money to invest in further investments for the trust. This is known as gearing and will enhance returns if the investments increase in value by more than the cost of borrowing the money, but will reduce overall returns from the portfolio if the assets do not grow by enough to cover the cost of the borrowing.

If assumed investment growth is not achieved, the effect of charges on your investment may be higher than projected.

If paying regular monthly contributions please bear in mind that if contributions are not maintained you will be less likely to achieve the investment amount that was originally projected.

INVESTOR QUESTIONS ANSWERED

What is an ISA?

An Individual Savings Account (ISA), is a tax-efficient wrapper which can hold various types of investment.

The tax benefits of opening an ISA account can be summarised as follows:

- No income tax - no capital gains tax
- You do not have to include an ISA on your tax return

Generally, ISAs are made up of two basic components, which are:

Stocks and Shares

With effect from 6 April 2010 you can invest up to £10,200 in a Stocks and Shares ISA less anything you invest in a Cash ISA in the same tax year.

Cash

With effect from 6 April 2010 you can invest up to £5,100 in a Cash ISA.

The total annual ISA allowance is £10,200.

The Avalon Freedom ISA is a Stocks and Shares ISA only.

ISA & PEP Rule Changes

From 6 April 2008 the ISA & PEP rules were simplified and investment limits increased.

All existing PEPs automatically became Stocks & Shares ISAs.

The distinction between Maxi and Mini ISAs disappeared.

Annual contribution limits were increased.

From 6 April 2008 you are also able to transfer money held in existing Cash ISAs or TOISAs into a Stocks and Shares ISA without it counting as part of your annual ISA allowance.

However, you must realise that the greater long-term growth potential from stocks & shares investments increases the level of investment risk you are taking.

Who can open an Avalon Freedom ISA?

You must be at least 18 years of age and ordinarily resident in the UK for tax purposes.

You must not already be subscribing to a Stocks and Shares ISA for the current tax year.

What investments are available to me?

The Avalon **Freedom ISA** is 'open choice'. It offers you a huge range of funds to choose from, consisting of **any** eligible unit trust, OEIC or investment trust.

What are the investment limits?

The Avalon Freedom ISA has the following investment limits:

Stocks & Shares ISA	
Maximum contributions	
Lump sum	£10,200
Monthly	£850
Minimum contributions	
Lump sum	£1,000 (£500 per fund)
Monthly	£80 (£40 per fund)
Minimum top-ups	
Lump sum	£500 (£100 per existing fund)
Monthly	£20 (£10 per existing fund)

YOUR QUESTIONS ANSWERED

Unit trusts, OEICs and investment trusts

Unit trusts

The main feature of a unit trust is that the price you pay for each unit always directly reflects the value of the underlying shares or bonds in the portfolio. This means the unit price of a unit trust will tend to fluctuate less than an investment trust's share price.

OEICs

An OEIC, or Open Ended Investment Company, is a collective investment which works in a very similar way to unit trusts. The main difference between the two is that in the case of OEICs, charges are not included in the single buying price but are shown separately for greater clarity. OEICs have a flexible umbrella structure offering a variety of sub-funds between which investors can switch to vary their investment objectives. Like unit trusts, OEICs are open ended (they can continue receiving funds from investors for putting into the market) and they have clearly defined rules on what investments the manager may make.

Investment trusts

Whilst investment trusts provide the same basic service as unit trusts and OEICs, their structure gives them a higher risk/reward profile. One key difference is that the price you pay for investment trust shares does not directly reflect the value of investments in the portfolio. It could be higher or lower depending on whether or not that investment trust is in demand. This feature gives an opportunity for greater rewards but with added risk when compared to unit trusts and OEICs.

Investment Trusts are not available to monthly paid Freedom ISA's.

Can I change my mind about investing in a Freedom ISA?

If you have received advice prior to applying for a Freedom ISA, then you will have 14 days from receipt of the Acknowledgment letter in which to change your mind. Full details are in the Terms and Conditions.

How can I keep track of my investment?

On-line valuations are available at any time by logging on to www.avaloninvestment.com. Please phone 01666 501710 to obtain your user name and password.

We will also send you a full statement every six months. This single summary statement will detail every transaction since the previous one and also provide a current value for each of your funds and a total valuation of your portfolio (as at 5th April and the 5th October each year). Ad hoc transactions resulting from a request by you (e.g. change of investment choice) will be confirmed by us in writing, showing full and clear details of the transaction.

You may opt out of receiving paper statements by ticking the relevant box on the application form or phoning us on 01666 501710.

Alternatively you may obtain a current valuation by phoning Avalon on 01666 501710. You can also find the selling price of unit trusts and OEICs and the mid-market price of investment trusts in The Financial Times and The Daily Telegraph. These prices form the basis of valuations.

What about changing my investment choice?

With a Freedom ISA, switching between funds is easy to do and Avalon makes no charge. Fund management companies make a small charge for purchasing units in their funds, but Avalon has agreed terms with most of these companies to try and keep costs to a minimum. Investment trusts are bought at the market price on the day of purchase. There are additional costs associated with the purchase of investment trusts such as stockbroker dealing charges and stamp duty.

We will sell units or shares held in your Freedom ISA within two business days of receiving your instructions. We will use the proceeds to buy units in another investment of your choice. Please note however, that we do not provide advice on which investments to select and strongly recommend that you consult your independent financial adviser when choosing your investments.

What happens if I die?

If an account has to be made void, income tax and capital gains tax will apply to distribution/income and gains respectively. Similarly, on death any distributions of income after the date of death will be subject to income tax and gains made after death may be subject to capital gains tax.



YOUR QUESTIONS ANSWERED

Can I receive an income?

There are two ways to receive income from a Freedom ISA. Either by payment of dividend distributions or by sale of assets held. The big difference between the two methods is that with the latter, you will know how much income you will be receiving when the income due date arrives.

It is important to remember that in the case of dividend income, Avalon will deduct any charges due prior to payment, in order to avoid selling assets to raise any outstanding fees due.

However, where a fixed income has been elected, Avalon will always sell assets to raise any ongoing costs associated with the ISA.

Income from your account can be taken on a quarterly, half-yearly or yearly basis.

Please note that there are dealing costs associated with the cancellation of shares and your capital may be eroded if the level of income exceeds growth. We recommend you consult your financial adviser before considering this method of taking an income.

It is important to remember that funds may not pay dividends as regularly as you would like to receive an income, and in times of poor stock market performance may not pay a dividend at all. We strongly recommend that you discuss the suitability of your fund selection to produce the income you require and the frequency of payment with your financial adviser.

What about taking the benefits?

Partial encashments

You can partially encash your Freedom ISA at anytime by writing to us. Please note that the minimum part encashment is £100 and you must have at least £1,000 in your account at all times for it to remain open.

Total encashment/transfer

To terminate your account or transfer your account to another manager we ask that you notify us in writing. Please note that we will only transfer the cash proceeds over to another manager free of charge.

Avalon does impose a charge of £25 per investment, if assets are to be transferred 'in specie'. Full details are available in the Terms and Conditions.

There are no penalties for encashing or transferring a Freedom ISA.

What are the charges?

Avalon will make the following charges:

Initial charge 1.0%

Levied on lump sum/monthly contributions and on ISA (ex-PEP) transfers. This charge will be deducted from the initial subscription, leaving the rest to be invested.

If you have been given advice, the financial adviser will make a charge for this service, either by way of a fee or by commission. Commission will be added to the initial charge.

Should you transfer a holding to Avalon *in specie* then we may need to sell assets to meet the initial charges.

If you invest in investment trust shares, equities or gilts, VAT may be payable on all or part of the initial charge.

There will be charges levied by the fund managers for the purchase of the investments. Details of these charges are available on request.

How are the account charges met?

Annual charges are met from dividend income and interest. If there is not enough cash in your account to meet these charges we will sell units proportionately, across your portfolio to meet the shortfall.

How much will advice cost?

Your adviser will give you details about the cost. The amount will depend on the size of your investment, and in the case of regular savings the period for which you make them.

YOUR QUESTIONS ANSWERED

How will charges and expenses affect the investment?

We have negotiated competitive charges with most of the major unit trust providers in the country so you can invest safe in the knowledge that costs have been kept as low as possible.

To demonstrate the effect that charges could have on your investment we have applied all relevant charges to a lump sum investment of £1,000 and regular subscriptions of £100 a month.

It is important to note that these example funds are purely for illustrative purposes and may or may not be the best funds for your circumstances.

We do not offer advice about which fund/s you should invest into. The funds that you choose may have different charges which will ultimately affect what you might get back.

In all examples we have assumed an initial commission rate of 3% and also 0.5% renewal commission payable to your adviser each year.

The figures in these tables are not guaranteed, they are purely used for the purpose of demonstrating the effect of charges and expenses on an investment.

All figures are at 31/01/08

Schroder		Strategic Bond (Acc)							
Gross yield 0% (at 31/01/08)		The effect of charges and expenses on lump sum and monthly savings investments assuming a growth rate of 7% a year is set out below							
		Lump Sum Investment of £1,000				Regular Savings plan of £100 per month			
At end of year		1	3	5	10	1	3	5	10
Investment to date	£1,000	£1,000	£1,000	£1,000	£1,000	£1,200	£3,600	£6,000	£12,000
Effect of deductions to date	£67	£123	£193	£439	£66	£296	£675	£2,524	
Withdrawals paid to date	-	-	-	-	-	-	-	-	-
What you might get back	£1,070	£1,225	£1,403	£1,967	£1,245	£4,003	£7,160	£17,202	

The last column in the table shows that over ten years, the effect of the total charges and expenses could amount to £439. Putting it another way, if the growth rate were to be 7% a year, which is in no way guaranteed, this would have the effect of reducing it to 4.3% a year.

The last column in the table shows that over ten years, the effect of the total charges and expenses could amount to £2,524. Putting it another way, if the growth rate were to be 7% a year, which is in no way guaranteed, this would have the effect of reducing it to 3.9% a year.

M&G		Recovery A (Acc)							
Gross yield 0% (at 31/01/08)		The effect of charges and expenses on lump sum and monthly savings investments assuming a growth rate of 7% a year is set out below							
		Lump Sum Investment of £1,000				Regular Savings plan of £100 per month			
At end of year		1	3	5	10	1	3	5	10
Investment to date	£1,000	£1,000	£1,000	£1,000	£1,000	£1,200	£3,600	£6,000	£12,000
Effect of deductions to date	£69	£137	£220	£510	£67	£314	£743	£2,879	
Withdrawals paid to date	-	-	-	-	-	-	-	-	-
What you might get back	£1,070	£1,225	£1,403	£1,967	£1,245	£4,003	£7,160	£17,202	

The last column in the table shows that over ten years, the effect of the total charges and expenses could amount to £510. Putting it another way, if the growth rate were to be 7% a year, which is in no way guaranteed, this would have the effect of reducing it to 4.3% a year.

The last column in the table shows that over ten years, the effect of the total charges and expenses could amount to £2,879. Putting it another way, if the growth rate were to be 7% a year, which is in no way guaranteed, this would have the effect of reducing it to 3.5% a year.

Artemis		Income (Inc)							
Gross yield 4.26% (at 31/01/08)		The effect of charges and expenses on lump sum and monthly savings investments assuming a growth rate of 7% a year is set out below							
		Lump Sum Investment of £1,000				Regular Savings plan of £100 per month			
At end of year		1	3	5	10	1	3	5	10
Investment to date	£1,000	£1,000	£1,000	£1,000	£1,000	£1,200	£3,600	£6,000	£12,000
Effect of deductions to date	£77	£142	£216	£451	£76	£338	£764	£2,710	
Withdrawals paid to date	£42	£126	£210	£420	£50	£299	£746	£2,726	
What you might get back	£1,028	£1,089	£1,160	£1,387	£1,195	£3,690	£6,341	£13,815	

The last column in the table shows that over ten years, the effect of the total charges and expenses could amount to £451. Putting it another way, if the growth rate were to be 7% a year, which is in no way guaranteed, this would have the effect of reducing it to 3.7% a year.

The last column in the table shows that over ten years, the effect of the total charges and expenses could amount to £2,710. Putting it another way, if the growth rate were to be 7% a year, which is in no way guaranteed, this would have the effect of reducing it to 3.2% a year.

YOUR QUESTIONS ANSWERED

Gartmore	European Select Opportunities Fund Ret A							
Gross yield 0% (at 31/01/08)	The effect of charges and expenses on lump sum and monthly savings investments assuming a growth rate of 7% a year is set out below							
	Lump Sum Investment of £1,000				Regular Savings plan of £100 per month			
At end of year	1	3	5	10	1	3	5	10
Investment to date	£1,000	£1,000	£1,000	£1,000	£1,200	£3,600	£6,000	£12,000
Effect of deductions to date	£72	£140	£223	£513	£70	£324	£760	£2,916
Withdrawals paid to date	-	-	-	-	-	-	-	-
What you might get back	£998	£1,085	£1,180	£1,454	£1,175	£3,679	£6,400	£14,286

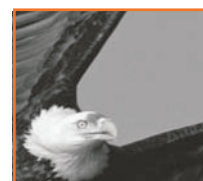
The last column in the table shows that over ten years, the effect of the total charges and expenses could amount to £513. Putting it another way, if the growth rate were to be 7% a year, which is in no way guaranteed, this would have the effect of reducing it to 4.3% a year.

The last column in the table shows that over ten years, the effect of the total charges and expenses could amount to £2,916. Putting it another way, if the growth rate were to be 7% a year, which is in no way guaranteed, this would have the effect of reducing it to 4% a year.

Standard Life	Global Index Linked Bond R (Acc)							
Gross yield 0% (at 31/01/08)	The effect of charges and expenses on lump sum and monthly savings investments assuming a growth rate of 7% a year is set out below							
	Lump Sum Investment of £1,000				Regular Savings plan of £100 per month			
At end of year	1	3	5	10	1	3	5	10
Investment to date	£1,000	£1,000	£1,000	£1,000	£1,200	£3,600	£6,000	£12,000
Effect of deductions to date	£74	£130	£199	£443	£75	£321	£717	£2,599
Withdrawals paid to date	-	-	-	-	-	-	-	-
What you might get back	£996	£1,095	£1,203	£1,524	£1,170	£3,682	£6,443	£14,603

The last column in the table shows that over ten years, the effect of the total charges and expenses could amount to £443. Putting it another way, if the growth rate were to be 7% a year, which is in no way guaranteed, this would have the effect of reducing it to 4.3% a year.

The last column in the table shows that over ten years, the effect of the total charges and expenses could amount to £2,599. Putting it another way, if the growth rate were to be 7% a year, which is in no way guaranteed, this would have the effect of reducing it to 3.9% a year.



FURTHER INFORMATION

Documents for inspection

We can obtain copies of the Scheme Particulars of the underlying funds and their Annual Report and Accounts on request. We reserve the right to make a charge for providing this service.

Governing Law

The Terms and Conditions of this account are governed by the law of England and Wales.

Full details of the Avalon Freedom ISA can be found in the Terms and Conditions of business included in this brochure.

What do I do if I have a complaint about the account?

If you wish to complain about any aspect of the service you have received, please contact the Compliance Officer at Avalon.

If your complaint is not dealt with to your satisfaction then you may refer the matter to the FSA Ombudsman Bureau, South Quay Plaza, 183 Marsh Wall, London, E14 9SR. Making a complaint will not prejudice your right to take Legal proceedings.

If you make a valid claim against Avalon and we are not able to meet our liabilities you may be covered by the Investor's Compensation Scheme, details of which are available on request.

This Key Features document is issued by:
Avalon Investment Services Ltd.
Registered no: 3792386 England.
Registered office: 2 Market Place,
Tetbury, Gloucestershire, GL8 8DA.
Authorised and Regulated by the FSA.

TERMS AND CONDITIONS

1. Definitions

- 1.1 An Account is an Avalon Freedom Individual Savings Account. The Avalon Freedom ISA allows investment into any qualifying unit trust, OEIC and investment trust.
- 1.2 A Transaction Statement is a written record giving details of a transaction(s)
- 1.3 A Transaction may be any change to the Account, or a change recording new or different circumstances of the account holder.
- 1.4 References to 'we', 'us', 'our' or 'Avalon' is Avalon Investment Services Ltd
- 1.5 The FSA is the Financial Services Authority or its successor.
- 1.6 The Regulations are the Individual Savings Account Regulations 1998 as amended.
- 1.7 Reference to 'You' or 'the investor' shall mean the beneficial owner of the Account.
- 1.8 An Investment is units or shares in any collective investment scheme or a company including investment trusts as permitted by the Regulations.

2. Appointment

- 2.1 We are authorised and regulated by the FSA and bound by the rules of the FSA.
- 2.2 We provide Account management and administration as permitted by the FSA and the Inland Revenue on a non-discretionary basis.
- 2.3 When we accept your application(s) the Company will manage Account money and Investments subject to the Regulations, as an Account and otherwise as set out in this agreement.

3. General

- 3.1 You must provide us with any information we may require to enable us to carry out our duties. In particular, you need to tell us of any change of address.
- 3.2 You must be at least 18 years of age and resident in the United Kingdom to qualify for a stocks and shares ISA.
- 3.3 We do not provide advice about our products or allowable investments. You must seek suitable advice from an independent financial adviser.
- 3.4 There may be circumstances which require us to review these Terms and Conditions and the charges being made. In this event, we will write to you advising you of any amendments to these Terms at least one month prior to the changes taking effect.
- 3.5 Any instructions received from you must be in a form acceptable to us and must bear your authority for the instruction to be valid.
- 3.6 Value Added Tax will be levied on all appropriate expenses and charges.
- 3.7 You authorise us to provide the Inland Revenue with all relevant information about your Freedom ISA and its Investments
- 3.8 We reserve the right to sell Investments if there is insufficient cash to meet the amount of any costs or charges.
- 3.9 Whilst we will always make every effort to meet the service standards detailed in these Terms and Conditions, Avalon cannot be held responsible for third party delays (such as the processing of sale and purchase transactions for the units/shares by fund management companies) that fall outside of our control.
- 3.10 In accordance with the Markets in Financial Investments Directive (MIFID) which became effective on 1 November 2007, we are required to inform you that you are categorised as a Retail Client. As a Retail Client you will benefit from the greatest level of protection available under the regulatory system.
- 3.11 Subject to certain qualifying criteria you have the right to amend your categorisation but this will affect the level of statutory protection provided by Avalon. If you do elect to change category, Avalon has the right to decline to provide the service on that basis.

4. Starting the Account

- 4.1 Your Account will be set up when we receive your correctly completed application or when all of our requirements have been met if this is later. We reserve the right to refuse your application.
- 4.2 We will send you an Acknowledgement letter within 2 working days of receipt of your ISA application. If you have been given advice by a financial adviser prior to applying for an ISA, within this letter there will be a cancellation notice which gives you the right to change your mind. If you do not wish to proceed with your Account the cancellation notice must be signed and returned to us within fourteen days of receipt.
- 4.3 If you decide to cancel your Account, we will return your payments to you once they have cleared. If units have already been purchased and their value has fallen when we receive your cancellation notice you will not receive the full amount invested and cancellation will occur in accordance with Section 10 of these Terms and Conditions.

5. Cash

- 5.1 Account money will be segregated from our other funds and held in a designated client account with HSBC or with any other authorised institution that we nominate.
- 5.2 In accordance with The Financial Services (Client Money) Regulations 1991 (as amended) interest shall be paid on cash balances held as a result of these Terms and Conditions. Any interest shall be paid after deduction of tax subject to the relevant tax legislation and regulations at the time. Interest on Account money shall be credited to your Account at the relevant HSBC published rate.
- 5.3 The interest payable to you will not be less than the minimum deposit rate publicly offered by HSBC at the time. Any interest due will be credited to your account every 6 months.

6. Investments

6.1 We will invest money held in the Account in Investments specified by you or your authorised financial adviser.

6.2 We are required to seek to achieve the best possible result for you when dealing with any order to buy or sell financial instruments and to set out arrangements for this purpose in a "trade execution policy".

We are required to consider various factors when deciding how best to deal with orders from clients. These include price, cost, speed, likelihood of execution and settlement, size, nature and other relevant matters. As we have classified you as a Retail Client we will usually consider price and cost to be the most important factors for you.

However, for orders relating to shares in the Funds, the only method available for dealing is to transmit them to the appropriate fund manager for execution: the fund management group will be deemed to be the "execution venue" for these purposes. Where there is only one execution venue that we can use in practice to deal with your orders, we will have to use that venue regardless of the impact of the execution factors listed above.

When it is necessary to buy or sell shares in Investment Trusts for you, these orders will generally be transmitted to, or executed with Citi Quillers. Due to the relatively illiquid nature of the shares, our preference and policy will always be to transmit orders to, or execute orders with, Citi Quillers. Consequently, we believe that they are best placed to provide us on a consistent basis with a competitive market price and the required level of liquidity.

We will monitor the effectiveness of the arrangements mentioned above and implement any necessary changes to our trade execution policy from time to time. This will involve reviewing whether using other means to route orders would be feasible and would generate a better result for you.

Please note, any specific instructions from our customers as to how their orders are dealt with may prevent us from taking the steps that we have designed to obtain the best possible result in the circumstances.

By agreeing to these Terms and Conditions, you will be giving:

- your prior express consent to the execution of orders outside a "regulated market" or a "multilateral trading facility" (as those terms are defined in the FSA Rules) where this is appropriate; and
- your consent to our best execution arrangements as summarised above. Details of our best execution arrangement are included within our Trade Execution Policy which is available upon request.

6.3 We are not required to assess the suitability of the investment or service provided or offered to you and, as a result, you will not benefit from the protection of the FSA Rules on assessing suitability. Therefore, we will not assess whether:

- the investment or service meets your investment objectives;
- you are able financially to bear the risk of any loss that the investment or service may cause; or
- you have the necessary knowledge and experience to understand the risks involved.

6.4 We may act as principal and match transactions to buy and sell being made on your behalf. In these instances, we will be entitled to keep any profit arising from the dealing spread on each Investment. We will not however, arrange to carry out for you any business in which we have any other material interest, or in which we are aware another party connected with us has such an interest, without first disclosing that interest to you and getting your consent.

6.5 On receipt by us of a properly completed application form the initial specified Investments will be purchased for your Freedom ISA within five working days.

6.6 In the case of regular monthly subscriptions, contributions will be collected on the 1st of the month or the closest working day. Investments will not be purchased until 10 working days have passed from the day of collection to enable funds to clear prior to dealing. Investment Trusts and equities cannot be purchased on a monthly basis.

6.7 In the event of cheques being returned from your bank or building society unpaid, we will make a charge of £20 to cover the dealing costs associated with this transaction.

6.8 We shall tell you of any changes to any Investment in the Account resulting from a take-over or other offer where rights or similar benefits arise.

6.9 Where exceptional circumstances apply (for example, where no accurate price is available) then we may defer any transaction involving buying or selling an Investment to the earliest business day we consider to be appropriate and reasonable.

6.10 Your existing Investments may be changed at any time by way of a switch. Any request to switch must be made in a form acceptable to Avalon and must not breach the Regulations. We will sell units or shares held in your Account within two business days of receiving your instructions. We will use the proceeds of the sale to buy the new eligible Investments of your choice.

6.11 We will collect dividends, interest on Account money and other distributions for the Account. You authorise us to recover from the Inland Revenue any interest on dividends that are reclaimable for the credit of your Account.

6.12 Unless any cash received by us for dividends or interest after the plan commences, is to be paid to you, then it will be reinvested into the same fund(s).

6.13 Investments within the account shall at all times be beneficially owned by you.

7. Custody

7.1 All Investments held in the Account shall be separately designated and, as required by the Regulations, be registered investments in the name of Avalon

Investment Services (Nominees) Ltd, or any other nominee that we appoint. Avalon Investment Services (Nominees) Ltd is not itself authorised under the Financial Services Act 1986 but we accept responsibility for its acts and omissions.

7.2 We may not lend to a third party the document of title held by or on behalf of us and money may not be borrowed on your behalf against the security of these documents.

7.3 You have agreed that the Investment in your Account will be registered in the same name as those of other clients. As a result, as part of normal settlement procedures where investments are pooled, the Investments in your Account may be used with those of other customers to settle various transactions. The Investments in your Account will not necessarily be immediately identifiable by separate certificates and, if we were to become insolvent, you might encounter delays in recovering your assets, and possibly an increased risk of loss if there is a shortfall.

8. Voting rights and Reports

8.1 We will not exercise voting rights for Investments held unless we receive written instructions from you.

8.2 If you send us a written request we will arrange for you to receive annual reports and scheme particulars or any other material issued by the companies to shareholders and unit trust managers to unit holders. We will also arrange for you to attend and vote at shareholders/unit holders meetings on receipt of a written request.

8.3 We reserve the right to make a charge to cover any administration costs incurred in complying with Section 8 of these Conditions.

9. Taking an income

9.1 On receipt of a written authority from you to Avalon, regular cash amounts may be taken from the Account either by:

a regular payment of an amount specified by you, realised by the cancellation of units or shares from specified investments.

or

a payment of an amount equal to a dividend distribution realised from an income producing investment. Any income paid will equal the amount of cash held in the Account at the payment date less any outstanding charges on the account. Payments will be made on or following 1st Feb, May, Aug and Nov or nearest working days to these dates.

9.2 Income is paid by direct credit to the bank or building society account of your choice. It can be taken on a quarterly, half yearly or yearly basis.

9.3 Income requests must be received at least ten working days prior to payment of the first payment due date.

9.4 It is the Account holder's responsibility to ensure that the funds selected provide dividend payments at the frequency requested. If the fund managers of the underlying investments do not pay dividends frequently enough to enable payment on the basis you have requested Avalon cannot be held responsible.

10. Encashing your Account

10.1 You may encash or partially encash your Account at any time on receipt by us of written instructions.

10.2 We will sell Investments within two working days of receiving your instructions. We can only send payment when monies have been received from the fund management companies. This can take up to 15 working days.

10.3 The minimum part encashment amount is £100. The minimum residual fund holding following an encashment must be at least £1,000 with at least £500 in any one fund.

10.4 When Avalon closes an Account or transfers the Account to an alternative fund manager, it will sell assets and pay away the proceeds to bring the account to a zero balance. If the accounts continue to receive cash (in the form of dividends, tax reclaims and interest payments) these will be forwarded in accordance with the original encashment instructions (but see 10.5)

10.5 If the cash to be forwarded in 10.4 is less than £5 Avalon will not make payment.

11. Transferring your Account

11.1 You may at any time give notice in writing to us of your intention to transfer the proceeds of your Account to another plan manager. We will sell the Investments and pay the proceeds to the alternative ISA manager.

11.2 Currently, you will not incur a charge for a cash transfer; however, we do reserve the right to review our charges from time to time.

11.3 Any transfer request will be actioned within two working days of receipt by the Company. We will send the transfer proceeds to the ISA manager within two working days of receiving the proceeds of the sale.

11.4 If a request to transfer assets in-specie is received, Avalon will impose a charge of £25 for each line of stock that is to be re-registered. This charge will be taken from any residual cash on the account or from sale of assets.

12. Charges

12.1 Initial charges

Account level

Freedom ISA

1% for lump sum/monthly investments

If you invest in investment trust shares or qualifying equities, there will be an additional charge for VAT levied on the lump sum investment. ISA transfers will also be charged at 1% - based on the value of the funds transferred into your Avalon Freedom ISA.

Commission

If you have been given advice, your financial adviser will make a charge for this service. This is typically 3% of the amount you are investing in your Freedom ISA and will be added to our initial charge. You may also be charged for any ongoing advice provided in the form of renewal commission, normally 0.5% of the fund value each year.

Investment level

Many unit trust managers operate a buying and selling price for the purchase and sale of units/shares in their funds of around 5% (although in many cases Avalon has negotiated a cheaper rate). This is known as the spread. The market makers who buy and sell shares in investment trusts also operate a 'spread' (the difference between the buying price of the shares and the sale price).

This does not apply to OEICs, as they are single priced investments although purchases are subject to a preliminary charge. To prevent large purchases or sales adversely affecting existing investors, OEIC fund managers sometimes apply a dilution levy to large purchases and sales. This will be paid into the fund to protect long term investors. The dilution levy for a fund will be calculated by reference to the costs of dealing in the underlying investments of that fund, including any dealing spreads, commission and transfer taxes.

Investment trust shares purchased will be subject to stamp duty and stockbroker commission equal to 0.5% of the purchase value with a minimum of £20. These rates may be subject to change.

12.2 Annual charges

Account level

Freedom ISA:

We will take 0.5% (+VAT) each year of the fund value of your Account (using the selling price of the Investments plus any cash held in the account).

This will be taken proportionately on 28th of each month or nearest preceding working day and will be subject to VAT.

Investment level

This is a variable charge levied by the trust managers. There are also other management charges levied by the fund managers. Full details of annual management charges for specific Investments are available on request.

12.3 Avalon will hold 2% of the value of your Freedom ISA as cash. Annual charges will be met from this cash reserve which will be replenished by dividend income and tax credits from time to time. If there is still not enough cash in your Account to meet these charges we will sell units of sufficient value to cover that year's management fees.

12.4 Any clients investing in investments that attract renewal commission from the fund management companies will have that commission reinvested to offset its annual management charge and replenish the cash reserve.

13. Death

13.1 In the event of your death the ISA account and relevant tax benefits will cease from that date. We will accept instructions from your legal representative once probate has been granted.

14. Void Accounts

14.1 Your Account will be managed in accordance with the Regulations, which take precedence over these Terms. We will notify you if, by reason of any failure to satisfy the Provisions of the Regulations, you no longer qualify for an Account. When an Account is voided, we will sell the Account and pay you the proceeds together with any cash balance held in the Account. We may deduct any charges or any tax liabilities under it, and any additional expenses incurred in terminating the account.

15. Statements

15.1 If you have not opted out, we will send you a statement every six months as at 5th April and 5th October showing the investments and value of your Freedom ISA and all transactions that have occurred over the statement period.

15.2 You have the right to decline paper statements and view on-line valuations at www.avaloninvestment.com (password required).

16. Law

16.1 These Terms and Conditions will be governed by the law of England and Wales.

17. Complaints

17.1 We have established rules and procedures for the handling of complaints in accordance with regulations laid down by the FSA. Any complaint should be made in writing to us at our head office marked for the attention of the Compliance Officer. If you are not happy with the way in which your complaint is handled, then you have the right to refer the matter to the FSA Ombudsman, South Quay Plaza, 183 Marsh Wall, London E14 9SR.

Avalon Investment Services Limited is authorised and regulated by the FSA. Registered in England number 3792386. Registered Office 2 Market Place Tetbury Gloucestershire GL8 8DA.

Please remember:

Your Freedom ISA is intended as a long term investment and you may not get back what you originally invested. Investors also need to understand that the value of your investments can go down as well as up.

How to apply

To apply for an Avalon Freedom ISA please read through this brochure, including the Key Features and Terms and Conditions.

Study the application form and fill it out to the best of your knowledge. There is a checklist on the form to help you do this.

If investing a lump sum, be sure to include a personal cheque for the amount you wish to invest, made payable to Avalon Client Money Account. Where you are investing money using a bankers draft or building society cheque please ensure your name is clearly shown on the cheque.

If investing a monthly amount, please remember to complete the Direct Debit form. Due to money laundering regulations please also ensure evidence is attached which confirms the direct debit is drawn from your personal account. Suitable evidence includes a certified copy of a bank statement or a cheque for the first month's contribution drawn on this account.

If you have any problems completing the application form or questions concerning this product you can speak to your Independent Financial Adviser or call us direct on **01666 501710**.

Thank you for your interest in our product. For larger investments, you may like to know that we also have a Portfolio wrap product called the Avalon Freedom Portfolio with the same great features as the Avalon Freedom ISA.

Please telephone us or speak to your Independent Financial Adviser for more details.

Avalon is the trading name of Avalon Investment Services Ltd
Registered Address: 2 Market Place, Tetbury, Gloucestershire, GL8 8DA
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