

AVALON DIGITAL MARKETING SYSTEMS INC
Form 8-K
June 20, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)

June 16, 2003

AVALON DIGITAL MARKETING SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

| | | |
|---|--------------------------|--------------------------------------|
| Delaware | 000-28403 | 77-0511097 |
| (State or other jurisdiction of incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

| | |
|--|------------|
| 19782 MacArthur Boulevard, Suite 100, Irvine, CA | 92612 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: (949) 660-1700

Item 4. - Changes in Registrant's Certifying Accountant

Effective June 16, 2003, Avalon Digital Marketing Systems, Inc. (the "Registrant" or the "Company") dismissed Grant Thornton, LLP ("Grant Thornton") as its certifying accountants. The Registrant's Audit Committee and Board of Directors have approved this action.

The audit reports of Grant Thornton on the Registrant's financial statements for the years ended September 30, 2001 and 2000 did not contain any adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles, except that the opinion issued with the Company's financial statements for the year ended September 30, 2001 included a reference to substantial doubt that existed regarding the Company's ability to continue as a going concern.

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During the Registrant's two most recent fiscal years and through June 16, 2003, there were no disagreements with Grant Thornton on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Grant Thornton, would have caused Grant Thornton to make reference thereto in connection with its reports on the financial statements for such years. In addition, there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K.

The Registrant delivered a copy of this Form 8-K report to Grant Thornton on June 18, 2003. Concurrently therewith, the Registrant requested that Grant Thornton furnish it with a letter addressed to the Securities and Exchange Commission (the "SEC") stating whether it agrees with the above statements and, if not, stating the respects in which it does not agree. Attached hereto as Exhibit 16.1 is a copy of the letter of Grant Thornton to the SEC dated June 18, 2003.

On June 16, 2003, the Registrant engaged Tanner + Co., P.C. ("Tanner + Co.") as its new independent accountant. The Registrant's Audit Committee and Board of Directors have approved this action.

Tanner + Co. was previously the certifying accountants of Category 5 Technologies, Inc., the company acquired by the Registrant in September 2002 ("Category 5"), in a transaction in which Category 5 was treated as the acquirer for accounting purposes. In such transaction, the historical financial statements and fiscal year of Category 5 became those of the Registrant. As certifying accountants of Category 5, Tanner + Co. conducted an audit of and expressed their opinion on the consolidated financial statements of Category 5 which were previously filed with the SEC. Grant Thornton was not consulted by the Registrant in connection with Tanner + Co.'s audit of or opinion on the consolidated financial statements of Category 5.

During the Registrant's two most recent fiscal years and through June 16, 2003, the Registrant did not consult with Tanner + Co. on any matter that was either the subject of a disagreement, as defined in Item 304(a)(1)(iv), or a reportable event pursuant to Item 304(a)(1)(v) of Regulation S-K of the Securities Exchange Act of 1934.

Item 7. - Financial Statements and Exhibits

(c) Exhibits.

| Exhibit Number | Description |
|----------------|--|
| 16.1 | Letter from Grant Thornton, LLP to the Securities and Exchange Commission, dated June 18, 2003, regarding change in certifying accountant. |

Signatures

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Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AVALON DIGITAL MARKETING SYSTEMS, INC.

June 19, 2003

By: /s/ Michael R. Friedl

Michael R. Friedl
Chief Financial Officer, Treasurer
and Corporate Secretary

EXHIBIT INDEX

| Exhibit Number | Description |
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