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Form ADV Part 2A, Firm Brochure

This brochure provides information about the qualifications and business practices of Eley Financial Management (EFM). If you have any questions about the contents of this brochure, please contact us at (802-863-4463). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Eley Financial Management also is available on the SEC's website at www.adviserinfo.sec.gov

Item 2: Material Changes:

The only amendment to our brochure since our last filing date of 4/1/11 was to update our Assets Under Management, found on page 3 of this document.

Item 3: Table of Contents:

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Item 4: Advisory Business

Eley Financial Management, Inc. (the firm) is a registered investment advisor (RIA) located in South Burlington, VT. The firm was founded by Gary W Eley in 1989, and is now wholly owned by Joseph M Diebold (50%) and Matthew A Malaney (50%).

Our principle business is discretionary asset management. There are many factors that influence how an account is invested including a client's risk tolerance, time horizon, liquidity needs and return objective. We determine these with the client at the outset of the relationship and revisit them periodically. This information is used to create a client's Investment Policy Statement (IPS). We also allow for clients to impose additional restrictions on our investment selections. Some clients, for example, wish their investments to meet certain Socially Responsible criteria. Any such arrangements must be agreed to by both parties and is noted in the IPS.

We also act as advisors to employer sponsored retirement plans (e.g. 401K plans). In such cases we are responsible for investor education to the plan participants, as well as selecting the investment options that are offered by the plan.

As of 12/31/2011 the firm had \$143,734,000.00 under management.

Item 5: Fees and Compensation

Eley Financial Management is compensated based on the level of assets that we manage. See our fee schedule below*:

Eley Financial Management, Inc. - Adviser Compensation

Fee Schedule – Effective July 21, 2003

Asset Dollar Amount	Management Fee
\$0.00 to \$500,000	1%
\$500,000 to \$1,000,000	.90%
\$1,000,000 to \$1,500,000	.80%
\$1,500,000 to \$2,000,000	.75%
\$2,000,000 to \$3,000,000	.70%
\$3,000,000 to \$4,000,000	.65%
\$4,000,000 to \$5,000,000	.60%
\$5,000,000 to \$6,000,000	.55%
\$6,000,000 to \$7,000,000	.50%
\$7,000,000 to \$8,000,000	.45%
\$8,000,000 to \$9,000,000	.40%
\$9,000,000 to \$10,000,000	.35%
\$10,000,000 to \$11,000,000	.30%

*These are our base fee rates and are negotiable under certain circumstances.

Management fees can be debited from client accounts directly, or can be billed separately. In either case, fees are charged quarterly and are determined by the account value on the last day of the preceding quarter (12/31, 3/31, 6/30, 9/30). Since fees are paid in advance, we will refund a prorated portion of these prepaid management fees in the event that our management services are terminated. See the example below for both a calculation of how our fee is calculated, and a hypothetical refund.

Example:

Account balance on 12/31/10: \$300,000.00

*First Quarter fees due: \$750 = [.25% * 300,000]*

Relationship terminated 1/30/11:

Portion of quarter where service was provided: $1/3 = 30 \text{ days} / 90 \text{ days}$

*Refund Paid: \$500 = \$750 - (\$750 * 1/3)*

While this asset based fee is the only fee charged by our firm, the client may pay additional fees that are charged by other parties. These fees are associated with owning or acquiring certain types of investments and are not a result of the RIA relationship per se. For example:

- Custodians may charge a nominal fee for their record keeping services
- Certain investments such as mutual funds contain internal fees (i.e. expense ratios) to cover their costs
- A commission is often charged to execute trades of certain securities (e.g. stocks, Exchanged Traded Funds (ETFs). These fees are charged by the brokerage firm executing the trade and are not charged or received by Eley Financial Management, Inc.

See item 12 of this brochure for a full discussion of our brokerage practices.

Item 6: Performance-Based Fees and Side-by-Side Management

Our firm charges only asset based fees, therefore this section does not apply.

Item 7: Types of Clients

We manage both taxable and non-taxable accounts for individuals, companies, and non-profit entities. We also serve as advisor to the trustees of 401k and other employer sponsored retirement plans. Our account minimum is \$50,000, although this minimum account size requirement can be waived under certain circumstances.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

We invest in a wide range of investment securities including stocks, bonds, mutual funds, Exchange Traded Funds (ETFs), and Real Estate Investment Trusts (REITs). We have the

capabilities to invest across all investment styles (value, growth, and blend) and sizes (large, medium, and small). We utilize a global perspective, investing in US markets, developed foreign markets, and emerging foreign markets.

Investing in any security involves risk of loss, and each security has risks that are specific to it.

In selecting the investments for our clients' portfolios, we use a compliment of fundamental analysis, macro-economic analysis, and technical analysis. Below is brief description of these types of analyses and the risks inherent to them.

Fundamental Analysis is the process of evaluating a security's attractiveness based on financial factors specific to the company being evaluated. For example, you could look at the growth of sales and the company's profitability, and project an estimated value for the company based on these observed trends and what your prediction for their future levels will be. If the projected value is greater than what you can purchase the security for, then it may be a good investment. The risks to this type of analysis include:

- Predictions about the company's financial metrics may be inaccurate, making your projected value also inaccurate
- Other investors may not assign the same value to a company's underlying fundamentals that we have

EFM primarily utilizes fundamental analysis for individual stock selection.

Macro-Economic Analysis is a process of evaluating 'big picture' factors (stages of the economic and business cycle, interest rate and earnings trends, inflation outlook, currency and commodity trends, etc.) and structuring portions of client portfolios to capitalize on our expectation of how those factors will impact various security prices in the future. Like all forms of investment analysis, the risk of macro-economic analysis is the inherent difficulty in predicting future events. In addition, this is no guarantee that the historical impact of a given macro-economic factor on a particular security will repeat itself in the future.

Generally, EFM utilizes exchange traded funds (ETFs) to apply our macro-economic strategies to client portfolios.

Technical Analysis is a process of gleaning information about a security based on observed historical price movements. Many investors believe that historical price trends can lend insight into a security's future value. Others believe that the correlation between past price movements and future price movements is not as instructive as other methods of investment analysis. At EFM, our use of technical analysis is primarily to assist in identifying attractive entry and exit price points. The main risk in utilizing technical analysis is that judgments are based on historical price movements and may give misleading indications as to what will happen next if historical patterns do not repeat. While technical analysis is the least utilized method of analysis at EFM, it can be used for all types of securities – stocks, mutual funds and exchange traded funds (ETF's).

Item 9: Disciplinary Information

We do not have any disciplinary information to disclose.

Item 10: Other Financial Industry Activities and Affiliations

Neither our firm nor any employees have any other financial industry affiliations to report.

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

Every employee must sign our firm's Code of Ethics ("Code"). This Code establishes rules of conduct for employees of the firm, including personal securities trading activities in the accounts of employees. The Code is based upon the principle that we have a fiduciary duty to our clients. The Code is designed to ensure that the high ethical standards long maintained by our firm continue to be applied. The purpose of the Code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct. The excellent name and reputation of our firm continues to be a direct reflection of the conduct of each employee.

A complete copy of our Code of Ethics is available to any client or prospective client upon request.

Employees may invest in the same securities that are purchased in client accounts. While this is an affirmation of our faith in our investment process it can create the potential for a conflict of interest in terms of priority of transactions. To address these potential conflicts, we do not engage in private placement trades and all transactions occur in the open market. All employee trades that have the potential to be of conflicting interest are run through the firm's chief compliance officer. Employees that wish to make transactions in the securities that are bought or sold for clients, may do so as part of a block trade (where all parties receive the same transaction price), or after client transactions have been completed. Our goal is to protect against even the appearance of impropriety.

Item 12: Brokerage Practices

Brokerage firms are utilized to physically hold client assets (i.e. custody) as well as to execute transactions (i.e. buy and sell stocks, bonds, mutual funds, etc.). EFM currently utilizes two brokerage firms, Fidelity Investments and Charles Schwab and Co., for the following reasons:

1. **Size/Scale:** As two of the largest and most established discount brokerage firms, Fidelity and Schwab bring a wealth of resources to bear in helping Registered Investment Advisors (RIAs) like EFM manage client portfolios. Both firms have worked with RIAs for many years and have specialized service teams dedicated to this task. They also have state of the art technology (trading platforms, client dedicated websites, etc.) which benefit both EFM and our clients.
2. **Competitive Commissions:** As industry leaders, Fidelity and Schwab's commission structures are very competitive. In addition, both brokerage firms have been responsive to industry trends which have resulted in commission rates steadily declining in the last

10 years. It is our belief that when it comes to commissions “best value” does not mean just the absolute lowest commissions, but rather the value of the entire brokerage relationship (commission costs, service, statement quality, technology capabilities, etc.). At the present time, Fidelity and Schwab both offer excellent value taking into account all of those factors.

Research/Soft dollars: ‘Soft dollars’ is a term used to describe how some investment managers, banks, mutual funds, etc. direct trades to specific brokerage firms in exchange for research services or products. EFM has not entered into any ‘soft dollar’ arrangements.

Schwab and Fidelity do make available investment research. To the best of our knowledge, this research is also available to non-advisory brokerage clients and is not related to/or affected by the frequency or amounts of our trades. Similarly, to the best of our knowledge, our clients do not pay a higher commission rate in exchange for access to this research. Most importantly, we are not incented to recommend one brokerage firm over another firm for client custody on the basis of the amount or quality of research we in turn receive from that brokerage firm.

Research/Hard Dollars: ‘Hard dollars’ is a term used to describe research paid for in actual dollars. EFM does subscribe to numerous research products and services for which we pay hard dollars (i.e. the same way we pay for our rent, utilities and office supplies).

Brokerage Client Referrals: EFM does not receive any benefit, monetary or otherwise, for recommending one brokerage firm over another.

Directed Brokerage/Trading Away: From time to time it may be advantageous to clients for EFM to execute a trade at a firm other than the one where their assets are custodied. Generally, this happens when one firm may have access to or inventory of a security that is not readily available at the client’s primary brokerage firm (i.e. state-specific municipal bonds). Clients must specifically give us this authority to ‘trade away’ in advance of any such trades.

Aggregate Trades: Aggregate trades, or ‘block trades’ refers to the practice of grouping two or more client transactions together. Generally this is done for the purpose of seeking the most advantageous execution price and/or to ensure that clients receive the same price for a given security. Whenever possible, EFM seeks to block trades. There may be instances, however, when aggregating trades may not be in the best interest of clients. This may be the case with securities which have insufficient average trading volumes in relation to the trade being contemplated (i.e. thinly traded securities). In these instances, it may be more advantageous for us to not submit the entire block trade at once as this can have a materially negative impact on the security’s price. Generally, EFM’s trade sizes are small in relation to a security’s average trading volume so our block trades do not materially affect their price.

Item 13: Review of Accounts

Client accounts are reviewed in several ways. Reviews are conducted by members of the investment committee. The committee is comprised of the following members, who together make all investment decisions:

Joe Diebold, CFP	Principal and Co-Owner
Matthew Malaney, CFA	Principal and Co-Owner
Gary Eley, CFA	Founder
Andrew Murphy, CFA	Portfolio Manager

Each client portfolio is assigned to a specific investment template that governs the types of securities that are purchased on a client's behalf and in what proportions. This template, or model, is determined by all of the factors that 'define' each client's individual situation (risk tolerance, time horizon, tax status, liquidity needs, return objectives, etc.) and are documented in the client's Investment Policy Statement (IPS). Accounts with similar Investment Policy Statements are then grouped for review and trading purposes.

In addition, clients are encouraged to meet with a member of the Investment Committee no less than annually. In addition to reviewing account balances, asset allocations and portfolio performance, these meetings are also an opportunity for clients to share any changes in their personal circumstances (marital status, loss of a job, contemplating retirement, etc.) which can have a material impact on the investment of their accounts.

Clients receive periodic statements (monthly or quarterly) from their custodian (Fidelity or Schwab). In addition, clients also receive reports (performance, capital gains/losses, etc.) from EFM directly, either in conjunction with the client's annual review or on an ad-hoc basis as requested by the client.

Item 14: Client Referrals and Other Compensation

We do not compensate any party for referrals that we receive, nor do we receive compensation for any referrals that we may give.

Item 15: Custody

We do not take direct custody of client funds or securities, but do have the ability to debit fees from client accounts. All client assets are held with qualified custodians who send monthly account statements directly to each client. All clients are encouraged to review these monthly statements regularly. At any point clients may also request account statements or other reports from us, and clients are similarly encouraged to compare any statements received from us with those that are sent directly from the custodian.

Item 16: Investment Discretion

We accept discretionary authority to manage client funds as a principal part of our business. Each client signs an Investment Advisory Agreement that names us as the client's attorney and "agent in fact" to manage the investments in their account. Our discretionary management is limited by factors that are agreed upon and noted on each client's Investment Policy Statement. Clients receive a copy of the Investment Advisory Agreement to keep and we also keep a copy on file.

Item 17: Voting Client Securities

We do not vote client proxies. Clients maintain exclusive responsibility for voting proxies and making all elections relative to any mergers, acquisitions, tender offers, or other types of events pertaining to the client's investment assets. Custodians are instructed to forward all such materials directly to the client. Clients may at any point contact our office for advice on any proxy or solicitation, or to provide any information that can be obtained by our office. A full copy of our Proxy Voting Policy is available upon request.

Item 18: Financial Information

There is no financial condition that would reasonably prevent us from meeting our contractual commitments to our clients.

Item 19: Requirements for State Registered Advisers

We are an SEC registered adviser, therefore this section does not apply to our firm.