

**Arthur Schiel  
Avalon Financial Management  
S.E.C. Form ADV Part 2A, Brochure**

Brochure Item 1-cover page

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This brochure provides information about the qualifications and business practices of Arthur Schiel, d.b.a. Avalon Financial Management (AFM). If you have any questions about the contents of this brochure, please contact me at 610-293-8020 or [aschiel@aol.com](mailto:aschiel@aol.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about me and Avalon Financial Management also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

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**Item 2-Summary of Material Changes:**

There have been no material changes since the last update on 3/15/11.

**Item 3-Table of Contents:**

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Item 4-Advisory Business:

- A. Arthur Schiel(AS), age 63, doing business as (dba) Avalon Financial Management(AFM), is a sole proprietorship formed in 1992 primarily engaged in the business of providing continuous investment advice to individuals. Founded on the belief that there was a need for impartial, unbiased, and independent management of investments for individuals, AFM operates mainly in the state of Pennsylvania, but does have clients on a nationwide basis with a cross-section of clients based on age and other demographics.

As the only employee of AFM, I have kept the size of the organization at a scale that optimizes client service and support, taking advantage of the significant enhancements in productivity available due to the explosive growth of the internet. I have been in the investment advisory business for 19 years in the same capacity of owner and operator of AFM. In addition, prior to establishing AFM, I worked in the banking business with primary responsibilities of managing investments.

Along with this approximate 35 years of investment management experience, I also hold a BA in History and Economics from Lehigh University (1970), a MA in Economic History from Temple University(1972), and a MBA in Finance from Lehigh University(1980). I have also passed the NASD FINRA Series 65 and Series 2(Series 7 equivalent for non-members) exams as required for Pennsylvania state registration.

AFM offers general investment advisory services primarily focused on ongoing, continuous management of various types of financial instruments. These include common stocks, all types of bonds, mutual funds, and exchange-traded funds. While not an exclusive list, these types of investments comprise over 99% of client holdings. Each client's array of investments(mix and diversity) is based upon their own specific investment profile and risk-taking profile giving weight to their specific demographics including but not limited to: age, income, marital and retirement status, and other risk factors.

These services are performed using discretionary authority which enables AFM to operate in an expeditious and efficient manner. All of AFM clients have granted AFM discretionary authority. This authority only applies to the type and diversity of assets under management and is used within the context of each specific client investment objective as delineated in a written advisory contract.

As of December 31, 2011, AFM had 32 clients with a total of approximately \$51.2 million of assets under management, all on a discretionary basis.

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Item 5-Fees and Compensation:

A. AFM charges a fee based upon a percentage of assets under management. AFM's current fee schedule is: 1% on the first \$1.5 million of investment balances and .5% on all balances over the first \$1.0 million with a \$5,000 minimum fee per year. These are annual %s. Fees are negotiable to a certain extent based upon age, the level of aggregate balances, and the nature and complexity of investments managed.

AFM also does a limited amount of advisory work where it charges an hourly fee of between \$100 and \$250 based upon the type of work provided. These fees are usually related to "second opinion" analysis of non-client portfolios or auxiliary investment advice to current clients on matters lying outside the scope of the normal contractual advisory services provided. These fees have not traditionally been a significant or material source of revenue for AFM.

B. All fees are billed directly to the client. Fees are calculated and collected on a quarterly basis and are charged in arrears.

C. Clients incur other types of fees related to their investments other than the fee charged by AFM. AFM considers itself responsible for minimizing these other fees that are related to various types of investments based upon the client's specified requests as to custody of funds selected and other variables. These fees are chiefly transaction fees related to the acquisition and sale of securities(brokerage fees), mutual fund fees imbedded within the funds' returns, and custody fees for those select clients that prefer a pure custody arrangement and desire not to deal with a brokerage firm.

AFM considers it its fiduciary duty to minimize all of these other related fees and this is reflected in the choice of brokerages, custodians, and low cost/no load mutual funds. There is more discussion of this under Item 12-Brokerage Services on page 8.

D. AFM does not expect or accept fees paid in advance.

E. AFM and Arthur Schiel do not accept any fees or compensation for the sale/purchase of any investment product. AFM deems these to be a conflict of interest and does not accept any types of other fees either directly or indirectly("soft dollar payments"). Clients do have an option to purchase certain investment products through other brokers or agents but AFM does make every effort to insure that it achieves the lowest cost/highest value option.

Item 6-Performance Based fees

AFM does not charge any performance fees, only the basic assets-under-management fee described in Item 5 A. above.

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Item 7-Types of Clients:

AFM provides investment advisory services to individual and their related IRA's and pension funds. AFM has a minimum aggregate account requirement of \$500,000. This minimum will be waived under certain circumstances.

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

A. Methods:

AFM accepts only clients who have a long term investment perspective. AFM does not engage in any type of frequent trading strategy or any type of activity that promotes short term performance results.

All methods of analysis of investments are based upon fundamental analysis of the merits of the investment relative to the specific risk related to the investment. In short, Earnings drive stock prices. This method focuses on an academic approach to stock and bond investments that include the bottom up analysis of each selected stock/bond/mutual fund's ability to generate sufficient cash flow which drives the earnings that ultimately improve prices. Given these objectives, a significant portion of all investments selected are investment securities of companies with proven track records of profit performance and tend to be large, well capitalized, and domestic in nature but with international operations.

- B All investments have some material risks. These risks center on specific company and industry risks inclusive of the competitive nature of their products and industry factors. In addition, there are significant economic and market related risks that can systematically effect all types of investments as demonstrated by events in 2008-9. These risks can be reduced but not eliminated by using proven diversification techniques and other investment disciplines.

- C See part B. above.

Item 9-Disciplinary Information:

AFM or Arthur Schiel has not had any disciplinary actions imposed upon its operations as they are defined by current SEC regulations delineated below:

- A. Criminal or civil actions-None
- B. Administrative proceedings-None
- C. Self-regulatory organization proceedings-None

Item 10-Other Financial Industry Activities and Affiliations:

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AFM or Arthur Schiel has no other Financial Industry Activities or Affiliations that are required to be disclosed.

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

A. Code of Ethic and Fiduciary responsibilities:

AFM, as required by the SEC, has a written code of Ethics. Upon request this Code of Ethics will be supplied to you.

In summary, AFM's Code of Ethics delineates how AFM will conduct its business in a manner that places the welfare of its clients ahead of those of AFM. This is the primary responsibility of a "fiduciary" as defined under the Investment Advisor Act of 1940. In addition, AFM's client contract defines other major points of ethical behavior that AFM will perpetuate.

- B. Arthur Schiel(AS) owns many of the individual securities that he also recommends and invests in for his clients. This is a positive approach since it aligns the interest of both client and owner; hence all clients can have this added comfort that investment recommended are appropriate. This can from time to time cause a potential conflict of interest given that both AS and a client might want to sell(or buy) the same security. This situation is significantly ameliorated by the fact that the vast majority of AS and client holdings are highly liquid and the market price is known continuously while also broad and deep. Thus, there is very little probability of a situation arising where a client might suffer(or AS gain). On the few occasions where this might arise, it is AFM/AS's policy to execute all client trades before AFM/AS sells(or buys) the same security. This situation has only arisen approximately 2 times in the past 10 years.

Under no circumstances does AFM/AS ever buy or sell a specific security directly to/from a client.

- C. See B. above  
D. See B. above

Item 12-Brokerage Practices:

AFM uses various broker-dealers who serve in the main capacity as an independent custodian for the safe-keeping of client assets. These brokerages are recommended by AFM to each client on the basis of optimal utilization factors that best meet a client's needs. These factors include low transaction fees/costs, systems efficiencies, ease of use, services provided, and safety of assets. AFM only recommends brokerages that offer low comparative fees while executing transactions efficiently. AFM negotiates all fees on behalf of the client and does not receive any monetary remuneration from any brokerage recommended or used. In

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cases where AFM/AS has accounts at the same brokerage, both the client and AFM/AS get the same pricing and identical services.

AFM/AS receives/accepts no “soft dollar” payments from any brokerages or custodians. “soft dollars” are defined as indirect compensation such as special research, “free” services, et al.

Item 13-Review of Accounts:

AFM/AS performs internal client account reviews at least quarterly or on an as-needed basis in the interim. Findings are presented to clients in quarterly reports. These reviews are done by Arthur Schiel. Generally, reviews include any change in holdings, gains/loss analysis, accounting accuracy of brokerage/custody statements, and portfolio comparable performance analysis.

Item 14-Client Referrals and Other Compensation:

AFM/AS does not accept or give anyone fees for account referrals.

Item 15-Custody

AFM/AS does not serve as custodian on any client accounts. These services are performed by selected brokerage firms or banks. This is an additional safety feature that benefits all clients and AFM/AS.

Any/All reports furnished by AFM to clients conform to the statements supplied by the custodian, unless otherwise noted.

I urge all clients to review those periodic statements that are sent directly to them from the custodian and compare them to statements supplied by AFM.

Item 16- Investment Discretion:

AFM/AS only accepts and manages accounts where it has discretionary authority. This authority is limited to the ability to access client accounts with the designated custodian and includes the power/authority to make investment decisions regarding purchases and sales within the parameters of that account(s). AFM/AS does not accept nor want responsibility to transfer monies outside these given accounts. This provides additional client/AFM safeguards.

Discretionary authority is only implemented after the signing of an advisory contract and the proper execution of limited trading authority powers by the client and AFM with the utilized brokerage firm.

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Client limitations to this authority are stipulated in the advisory contract. Such limitations are usually only related to “socially conscious” investing or prohibiting certain types of investments(eg. Options, warrants, et al).

Item 17-Voting Client Securities

AFM/AS does not vote client proxies. That is the client’s responsibility. AFM will provide advice on how to vote a certain proxy only upon a specific client request.

Item 18-Financial Information:

No financial information is required to be discussed.

Item 19-Requirements for State-Registered Advisers:

This section is not applicable since registered with the SEC.

Appendix-Not Applicable

**Part 2B of Form ADV: Brochure supplement:**

This section is not required to be completed by AFM since it is a sole proprietorship. All required disclosure information on AS is included in ADV Part 2A.