

AVALON HOLDINGS CORP
Form DEF 14A
March 29, 2004

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No. __)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to 167;240.14a-12

AVALON HOLDINGS CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**AVALON HOLDINGS
CORPORATION**

Notice of Annual Meeting

of Shareholders

April 29, 2004

and

Proxy Statement

Avalon Holdings Corporation · One American Way Warren, Ohio 44484-5555

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD APRIL 29, 2004

To the Shareholders of Avalon Holdings Corporation:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Avalon Holdings Corporation will be held at the Company's corporate headquarters, One American Way, Warren, Ohio, on Thursday, April 29, 2004, at 10:00 A.M., local time, for the following purposes:

1. To elect five Directors, two of whom will be Class A Directors elected by the holders of Class A Common Stock, and three of whom will be Class B Directors elected by the holders of Class B Common Stock, such Directors to hold office until the next Annual Meeting of Shareholders and until their successors are elected and qualified; and
2. To transact such other business as may properly come before the meeting and any adjournment thereof;

all in accordance with the accompanying Proxy Statement.

The Board of Directors has fixed the close of business on Wednesday, March 3, 2004, as the record date for the determination of the shareholders entitled to notice of and to vote at such meeting or any adjournment thereof. Only those shareholders of record at the close of business on such date will be entitled to vote at the meeting or any adjournment thereof.

Your prompt action in sending in your proxy will be greatly appreciated. An envelope is provided for your use which requires no postage if mailed in the United States. If you have more than one shareholder account, you are receiving a proxy for each account. Please vote, date, sign and mail all proxies you receive.

BY ORDER OF THE BOARD OF DIRECTORS

JEFFREY M. GRINSTEIN

General Counsel and Secretary

Warren, Ohio

March 24, 2004

IMPORTANT:

PLEASE COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY IN THE RETURN ENVELOPE FURNISHED FOR THAT PURPOSE, WHICH ENVELOPE REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES, AS PROMPTLY AS POSSIBLE, WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING. IF YOU LATER DESIRE TO REVOKE YOUR PROXY FOR ANY REASON, YOU MAY DO SO IN THE MANNER DESCRIBED IN THE ENCLOSED PROXY STATEMENT.

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

APRIL 29, 2004

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Avalon Holdings Corporation (the Company) of proxies in the form enclosed herewith to be voted at the Annual Meeting of Shareholders to be held at the Avalon Holdings Corporation corporate headquarters, One American Way, Warren, Ohio, on Thursday, April 29, 2004, at 10:00 A.M., local time, and at any adjournment thereof (the Annual Meeting), for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders. This Proxy Statement is being sent to each holder of the issued and outstanding shares of Class A Common Stock, \$.01 par value, (Class A Common Stock) and Class B Common Stock, \$.01 par value, (Class B Common Stock, and together with the Class A Common Stock, the Common Stock) of the Company entitled to vote at the meeting in order to furnish information relating to the business to be transacted at the meeting. The Company's Annual Report to Shareholders for the fiscal year ended December 31, 2003, including financial statements, is being mailed to shareholders, together with this Proxy Statement and the accompanying form of proxy, beginning on or about March 30, 2004.

Any shareholder giving a proxy will have the right to revoke it at any time prior to the voting thereof by giving written notice to the Secretary of the Company, by voting in person at the Annual Meeting, or by execution of a subsequent proxy provided that such action is taken in sufficient time to permit the necessary examination and tabulation of the subsequent proxy or revocation before the vote is taken. Shares of Common Stock represented by the proxies in the form enclosed, properly executed, will be voted in the manner designated, or if no applicable instructions are indicated, in favor of the Directors named therein. The persons named in the enclosed form of proxy are authorized to vote, in their discretion, upon such other business as may properly come before the meeting and any adjournment thereof. Only those shares represented at the Annual Meeting in person or by proxy shall be counted for purposes of determining the number of votes required for any proposals upon which shareholders of the Company shall be called upon to vote. Abstentions and broker non-votes shall not be counted as votes for or against any matter upon which shareholders of the Company shall be called upon to vote. The Articles of Incorporation of the Company do not permit cumulative voting in the election of Directors.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Board of Directors has fixed the close of business on March 3, 2004, as the record date for the determination of shareholders entitled to notice of and to vote at the Annual Meeting. Only shareholders of record at the close of business on that date will be entitled to vote at the meeting or any adjournment thereof. At the Annual Meeting, the holders of Class A Common Stock will be entitled, as a class, to elect two Directors (Class A Directors) and the holders of Class B Common Stock will be entitled, as a class, to elect three Directors (Class B Directors, and together with the Class A Directors, the Directors).

Except for the election of Directors and as otherwise required by the provisions of the Company's Articles of Incorporation or by law, holders of the Class A Common Stock and Class B Common Stock will vote or consent as a single class on all matters with each share of Class A Common Stock having one vote per share and each share of Class B Common Stock having ten votes per share. In the event that the outstanding shares of Class B Common Stock constitute less than 50% of the total voting power of the issued and outstanding shares of Class A Common Stock and Class B Common Stock, the holders of the Class A Common Stock (one vote per share) and Class B Common Stock (ten votes per share) will vote as a single class for the election of Directors. At the close of business on March 3, 2004, the Company had outstanding 3,185,240 shares of Class A Common Stock entitling the holders thereof to 3,185,240

votes in the aggregate and 618,091 shares of Class B Common Stock entitling the holders thereof to 6,180,910 votes in the aggregate.

Each share of Class B Common Stock is convertible at any time, at the option of the shareholder, into one share of Class A Common Stock. Shares of Class B Common Stock are also automatically converted into shares of Class A Common Stock on the transfer of such shares to any person other than the Company, another holder of Class B Common Stock or a Permitted Transferee as defined in the Company's Articles of Incorporation. The Class A Common Stock is not convertible.

The following table sets forth information with respect to beneficial ownership of the Class A Common Stock and Class B Common Stock by each person known to the Company to be the beneficial owner of more than five percent of either class of Common Stock. This information is as of February 13, 2004, unless noted that it is based upon Schedules 13-D or 13-G filed with the Securities and Exchange Commission (the Commission).

Beneficially Owned as of February 13, 2004

Name	Class A		Class B		Percent of all Common Stock	Percent of Total Voting Power
	Common Stock		Common Stock			
	Number of Shares	Percent of Class	Number of Shares	Percent of Class		
Ronald E. Klingle (1)(2)	170,417	5.4%	611,133	98.9%	20.5%	67.1%
Anil C. Nalluri, M.D., Inc.	387,454	12.2			10.2	4.1
Profit Sharing Plan and Trust (4)(5) c/o Anil C. Nalluri, M.D., Inc. 5500 Market Street Youngstown, OH 44512						
Lourde John Constable (3) 41 Leopard Road, Suite 202 Paoli, PA 19301	371,046	11.6			9.8	4.0
Constable Group, LLC (3)	348,346	10.9			9.2	3.7
Constable Managing Partners, L.P. (3) Constable Partners, L.P. (3) 41 Leopard Road, Suite 202 Paoli, PA 19301						
Raffles Associates, L.P. (4) 450 Fashion Avenue, Suite 509 New York, New York 10123	199,400	6.3			5.2	2.1
Daniel R. Tisch (4) Mentor Partners, L.P. 500 Park Avenue New York, New York 10022	177,400	5.6			4.7	1.9

- (1) Includes 14,296 shares of Class B Common Stock owned by Mr. Klingle's spouse, the beneficial ownership of which is disclaimed. Includes 1,067 shares of Class A Common Stock held by Mr. Klingle in the Avalon Holdings Corporation Participating Companies Profit Sharing Plan and Trust (including 397 shares held by Mr. Klingle's spouse, the beneficial ownership of which Mr. Klingle disclaims). Mr. Klingle has sole voting power and sole investment power over 170,020 shares of Class A Common Stock and 596,837 shares of Class B Common Stock.
- (2) Ronald E. Klingle is an employee, executive officer and director of the Company. The address for Mr. Klingle is c/o Avalon Holdings Corporation, One American Way, Warren, Ohio 44484-5555.
- (3) Each named security holder, except Mr. Constable, has shared voting power and shared investment power over all of the shares listed. Under the rules of the Commission, Mr. Constable is deemed to be the beneficial owner of the shares owned by Constable Group, LLC, Constable Managing Partners, L.P., and Constable Partners, L.P. Mr. Constable has sole voting power and sole investment power over 22,700 shares and shared voting power and investment power over 348,346 shares. This information is based upon Schedule 13-D filed with the Commission on January 23, 2004.
- (4) Each named security holder has sole voting power and sole investment power over all of the shares listed.
- (5) Based upon information contained in Schedule 13-D filed with the Commission on January 26, 2004.

ELECTION OF DIRECTORS

It is intended that the proxies will be voted for the election of the five nominees named below to hold office as Directors until the next succeeding annual shareholders' meeting and until their respective successors are duly elected and qualified. Specifically, the holders of Class A Common Stock are entitled, as a class, to elect two Class A Directors and the holders of Class B Common Stock are entitled, as a class, to elect three Class B Directors. It is the intention of the persons named in the enclosed forms of proxy to vote such proxies as specified and if no specification is made, to vote such proxies for the election as Directors of the nominees for Class A Directors and Class B Directors listed below. All such nominees have consented to serve if elected. While management has no reason to believe that any of the nominees will not be available to serve as a Director, if for any reason any of them should become unavailable, the proxies will be voted for such substitute nominees as may be designated by the Board of Directors. The two nominees for Class A Directors receiving the greatest number of votes from the holders of shares of Class A Common Stock eligible to be cast at the meeting will be elected Class A Directors; and, the three nominees for Class B Directors receiving the greatest number of votes from the holders of shares of Class B Common Stock eligible to be cast at the meeting will be elected Class B Directors.

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Set forth below is certain information about the nominees for Class A Directors and Class B Directors:

Name	Age	Director Since	Title	Term
Nominees for Class A Directors:				
Thomas C. Kniss	48	2003	Director	1 year
Stephen L. Gordon	62	1998	Director	1 year
Nominees for Class B Directors:				
Ronald E. Klinge	56	1998	Chairman of the Board, Chief Executive Officer and a Director	1 year
Ted Wesolowski	52	2002	Director	1 year
Robert M. Arnoni	48	1998	Director	1 year

Set forth below is information concerning each nominee for election as a director, including such nominee's principal occupation.

Thomas C. Kniss has been a director of the Company since November 2003. Mr. Kniss has been a certified public accountant since 1979 and was a founder of the certified public accounting firm of Kniss Kletzli & Associates, P.C. in 1992. Mr. Kniss received his Bachelor of Science degree in Accounting from Saint Vincent College in 1977.

Stephen L. Gordon has been a director of the Company since June 1998. He has been a partner in the law firm of Beveridge & Diamond, P.C. since 1982. Mr. Gordon received his Bachelor of Arts degree from Rutgers University and his Doctor of Jurisprudence degree from the University of Pennsylvania.

Ronald E. Klinge has been a director and Chairman of the Board of the Company since June 1998. He was Chief Executive Officer from June 1998 until December 2002. He resumed the position of Chief Executive Officer on March 15, 2004. Mr. Klinge has over 30 years of environmental experience and received his Bachelor of Engineering degree in Chemical Engineering from Youngstown State University. Mr. Klinge is the spouse of Frances R. Klinge who is the Chief Administrative Officer of the Company.

Ted Wesolowski, has been a director of the Company since April 2002. Mr. Wesolowski was Chief Executive Officer and President of the Company from January 2003 until March 15, 2004. Mr. Wesolowski resigned as Chief Executive Officer and President on March 15, 2004. Mr. Wesolowski will continue as a director. Prior to serving as Chief Executive Officer and President of the Company, Mr. Wesolowski was a co-founder of Babst, Calland, Clements & Zomnir, P.C., and had been with the Pittsburgh, Pennsylvania-based law firm since its inception in 1986. Mr. Wesolowski returned to his position with the law firm after his resignation. He received his Bachelor of Science degree from The Pennsylvania State University and his Doctor of Jurisprudence degree from The University of Pittsburgh. He was also the Chairman of the Business Law Section of the Allegheny County Bar Association and was a faculty member of the Pennsylvania Business Law Institute.

Robert M. Arnoni has been a director of the Company since June 1998. He is currently President of the Arnoni Development Company, Inc. From 1985 to August 1996, Mr. Arnoni was President and Chief Executive Officer of The Arnoni Group, a management company for various solid waste collection, transportation and disposal operations. Mr. Arnoni has over 20 years experience in the solid waste industry.

STOCK OWNERSHIP OF MANAGEMENT

The following table sets forth information as of February 13, 2004, with respect to beneficial ownership of the Class A Common Stock and Class B Common Stock by: (i) the Company's directors, including nominees, and certain named officers of the Company, and (ii) all executive officers and directors, including nominees, as a group. See Voting Securities and Principal Holders Thereof.

Beneficially Owned as of February 13, 2004 (1)

Name	Class A Common Stock		Class B Common Stock		Percent of all Common Stock	Percent of Total Voting Power
	Number of Shares	Percent of Class	Number of Shares	Percent of Class		
Ronald E. Klinge (2)(4)	170,417	5.4%	611,133	98.9%	20.5%	67.1%
Timothy C. Coxson (3)	399	*			*	*
Jeffrey M. Grinstein (3)			5,546	*	*	*
Thomas C. Kniss						
Sanford B. Ferguson						
Robert M. Arnoni	20,200	*			*	*
Stephen L. Gordon						
Ted Wesolowski						
All executive officers, directors and nominees for directors as a group (10 persons) (5)	191,016	6.0%	616,679	99.8%	21.2%	67.9%

* Less than one percent.

- (1) Mr. Coxson has shared voting and investment power with his spouse. All other named persons have sole voting and sole investment power over all listed shares, except for Mr. Klinge, as described in note (4).
- (2) Mr. Klinge is an employee, executive officer and director of the Company.
- (3) Each of these individuals is an employee and executive officer of the Company.
- (4) Includes 14,296 shares of Class B Common Stock owned by Mr. Klinge's spouse, the beneficial ownership of which is disclaimed. Includes 1,067 shares of Class A Common Stock held in the Avalon Holdings Corporation Participating Companies Profit Sharing Plan and Trust (including 397 shares held by Mr. Klinge's spouse, the beneficial ownership of which Mr. Klinge disclaims). Mr. Klinge has sole voting power and sole investment power over 170,020 shares of Class A Common Stock and 596,837 shares of Class B Common Stock.
- (5) In determining the number of shares held by executive officers and directors as a group, shares beneficially owned by more than one executive officer or director have been counted only once.

MEETINGS AND COMMITTEES OF THE BOARD

The Board of Directors has established four standing committees to assist in the discharge of its responsibilities. These are the Executive, Audit, Option Plan and Compensation Committees. The Board as a whole nominates directors for election. During 2003, the Board of Directors had five meetings.

Each incumbent Director acted pursuant to all written consents without formal meeting and attended at least 75% of the total number of meetings of the Board of Directors and the committees of the Board on which the respective Directors served during 2003.

The Executive Committee, subject to the restrictions of the Ohio General Corporation Law, may exercise the authority of the Board of Directors in the management of the business and affairs of the Company during intervals between meetings of the Board. During 2003, the Executive Committee held no meetings. The Executive Committee consists of three members, as follows: Messrs. Klingle (Chairman), Wesolowski and Ferguson.

The Audit Committee is responsible for recommending the firm of independent accountants to be engaged to audit the Company's financial statements, reviewing the scope and results of the audit with the independent accountants, reviewing with management and the independent accountants the Company's interim and year-end operating results, considering the adequacy of the internal accounting controls and procedures of the Company and reviewing the non-audit services to be performed by the independent accountants. During 2003, the Audit Committee held six meetings. The Audit Committee consists of three members, as follows: Messrs. Kniss (Chairman), Arnoni and Gordon. The Board of Directors has determined that each member of the Audit Committee is independent as defined by the Securities and Exchange Commission and American Stock Exchange. The Board of Directors has identified Mr. Kniss as the Audit Committee financial expert. Avalon has adopted a formal written Audit Committee Charter. The Audit Committee reviews and reassesses the adequacy of the formal written charter on an annual basis.

The Compensation Committee is responsible for reviewing and establishing the compensation arrangements for employees of the Company, including the salaries and bonuses of top management. During 2003, the Compensation Committee held one meeting. The Compensation Committee consists of three members, as follows: Messrs. Klingle (Chairman), Wesolowski, and Arnoni.

The Option Plan Committee determines grants of options to purchase shares under the Company's 1998 Long-Term Incentive Plan (the "Plan") based on recommendations made by the Company's Compensation Committee. During 2003, the Option Plan Committee held no meetings. The Option Plan Committee consists of three members, as follows: Messrs. Ferguson (Chairman), Arnoni and Gordon.

Avalon Holdings Corporation is a controlled company as defined by the American Stock Exchange company guide because over 50% of the voting power of the Company is held by Mr. Klingle. As such, the Company does not have a Nominating Committee and the members of the Company's Compensation Committee are not all independent.

Compensation Committee Interlocks and Insider Participation

Ronald E. Klingle served as Chairman of the Compensation Committee and was an executive officer of the Company during 2003. Furthermore, during 2003, Mr. Klingle was an executive officer and/or director of various directly or indirectly wholly owned subsidiaries of the Company.

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Mr. Wesolowski was a member of the Compensation Committee and an executive officer of the Company during 2003.

No members of the Compensation Committee serve on a compensation committee or other board committees performing equivalent functions for any other entity other than a directly or indirectly wholly owned subsidiary of the Company.

AUDIT COMMITTEE REPORT

The Audit Committee reviews the Company's financial reporting process on behalf of the Board of Directors. In fulfilling its responsibilities, the Audit Committee has reviewed and discussed the audited financial statements contained in the 2003 Annual Report on SEC Form 10-K with the Company's management and independent auditors. Management is responsible for the financial statements and the reporting process, including the system of internal controls. The independent auditors are responsible for expressing an opinion on the conformity of those audited financial statements with accounting principals generally accepted in the United States of America.

The Audit Committee discussed with the Company's independent auditors, Grant Thornton LLP, the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended. In addition, the Audit Committee has discussed with Grant Thornton LLP, their independence from the Company and its management including the matters in the written disclosures required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors (and the Board approved) that the audited financial statements be included in the Company's Annual Report on SEC Form 10-K for the year ended December 31, 2003, for filing with the Securities and Exchange Commission.

AUDIT COMMITTEE

Thomas Kniss (Chairman)

Stephen L. Gordon

Robert M. Arnoni

Board Committee Reports on Executive Compensation

Compensation Committee Report. The Company maintains a cash compensation program which is designed to motivate, retain and attract management and is comprised of salaries and bonuses. Under the Company's program, the cash compensation of executive officers of the Company is dependent, in part, on discretionary bonuses which considers the past performance and potential of the executive officer.

Mr. Klinge is the Chairman of the Board and Chairman of the Compensation Committee. Ongoing executive officer compensation is determined subjectively, in that the Chairman of the Compensation Committee provides recommendations to the Compensation Committee for the proposed remuneration of the Company's officers based on his evaluation of those individuals' performance, any change in their responsibilities and their potential to contribute to the success of the Company. No specific weights have been assigned to these factors by the Committee. The basis upon which the compensation of the Chief Executive Officer of the Company for the last completed fiscal year was determined was generally the same as for other executive officers.

Avalon is a controlled company because over 50% of the voting power is held by Mr. Klinge. Although the Company's executive compensation program is established by the Compensation Committee of the Board of Directors, which is currently composed of the below-named directors, from time to time the Compensation Committee and the Board of Directors as a whole discuss, generally, the reasonableness of the amounts of compensation received by the Chief Executive Officer and the other executive officers.

The Compensation Committee recommended and the Board of Directors approved a discretionary contribution to the Company's 401(k) Profit Sharing Plan for 2003 in the amount of two percent of each participant's cash compensation subject to Internal Revenue Code limitations.

Section 162(m) of the Internal Revenue Code addresses the nondeductibility for federal income tax purposes of certain compensation in excess of \$1 million paid to an employee during the taxable year. As it is highly unlikely that any executive officer or other employee of the Company will be awarded compensation in excess of \$1 million in the foreseeable future, the Compensation Committee has not established a policy with respect to the nondeductibility of such employee compensation.

The Compensation Committee believes that the Chief Executive Officer, as well as the other executive officers of the Company, are dedicated to achieving significant improvements in the Company's long-term financial performance and that the compensation policies, plans and programs implemented by the Company contribute to achieving this management focus.

COMPENSATION COMMITTEE

Ronald E. Klinge (Chairman)

Ted Wesolowski

Robert M. Arnoni

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS
Compensation of Executive Officers

The following information sets forth the compensation of the Company's Chief Executive Officer and the Company's four most highly compensated executive officers other than the Chief Executive Officer who were serving as executive officers as of December 31, 2003; in each case for services rendered in all capacities to the Company and its subsidiaries during the fiscal year ended December 31, 2003. No individual no longer serving as an executive officer as of December 31, 2003 received compensation in excess of any of the named executive officers.

SUMMARY COMPENSATION TABLE (1)

Name and Principal Position	Year	Annual Compensation (2)			Long Term Compensation			All Other Compensation (3)
		Salary	Bonus	Other Annual Compensation	Awards		Payouts	
					Restricted Stock Awards	Options/SARs (Shares)	LTIP Payouts	
Ronald E. Klinge Chairman of the Board	2003	\$ 160,000	\$					\$ 3,200
	2002	160,000	20,000					3,600
	2001	160,000	50,000					6,800
Ted Wesolowski Chief Executive Officer and President	2003	250,000	50,000	537				2,511
	2002							
	2001							
Kenneth J. McMahon Chief Executive Officer, American Waste	2003	130,000	20,000					3,000
	2002	130,000	40,000					3,400
Management Services, Inc.	2001	130,000	50,000					6,800
Timothy C. Coxson Chief Financial Officer and Treasurer,	2003	166,000						3,320
Chief Executive Officer, DartAmericA, Inc.	2002	145,000	30,000					3,500
	2001	130,000	50,000					6,800
Jeffrey M. Grinstein General Counsel and Secretary	2003	166,000						3,320
	2002	145,000	30,000					3,500
	2001	130,000	50,000					6,800

- (1) Does not include the value of certain non-cash compensation to the named individuals which did not exceed the lesser of \$50,000 or 10% of such individuals' total annual salary and bonus shown in the table.
- (2) Includes salary and/or bonuses deferred pursuant to Section 401(k) of the Internal Revenue Code.
- (3) Reflects contributions to be made on behalf of the named executive officer pursuant to the provisions of the Company's 401(k) Profit Sharing Plan.

Option Grants in Last Fiscal Year

There were no options granted during 2003.

Compensation of Directors

Each of the Company's directors who is not an officer or employee of the Company is entitled to receive a retainer fee of \$20,000 per year for Board of Directors membership and a fee of \$1,000 for attendance at each Board of Directors meeting (or committee meeting held on a separate day). Officers and employees who serve as directors are not compensated for their services as directors. In accordance with the Avalon Holdings Corporation 1998 Long-Term Incentive Plan, non-employee directors are entitled to receive grants of options to purchase shares of Class A Common Stock as determined by the Board of Directors. All directors are reimbursed for expenses incurred in attending Board of Directors meetings and committee meetings. During 2003, the Company made no other payments to non-employee directors with respect to participation on the Board of Directors, its committees or with respect to special assignments.

Performance Graph

The following line graph compares the yearly percentage change in the Company's cumulative total shareholder return on its Class A Common Stock for the year 1999, 2000, 2001, 2002 and 2003 with the cumulative total return of both the Amex Market Value Index and the Russell 2000 Index.

	December 31, 1998	December 31, 1999	December 31, 2000	December 31, 2001	December 31, 2002	December 31, 2003
Avalon Holdings Corporation Class A Common Stock	\$ 100.00	\$ 70.80	\$ 38.94	\$ 40.68	\$ 28.32	\$ 37.24
Amex Market Value Index	\$ 100.00	\$ 113.40	\$ 114.57	\$ 105.96	\$ 88.17	\$ 106.89
Russell 2000 Index	\$ 100.00	\$ 121.26	\$ 117.59	\$ 120.52	\$ 95.83	\$ 141.11

The Company's Class A Common Stock performance shown by the above graph is not necessarily indicative of future stock performance.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Ted Wesolowski was a director, Chief Executive Officer and President of the Company in 2003. Previously, Mr. Wesolowski was a shareholder of the Pittsburgh, Pennsylvania law firm of Babst, Calland, Clements & Zomnir, P.C. which rendered legal services to the Company during the last fiscal year. Mr. Wesolowski returned to his position with the law firm after resigning as Chief Executive Officer and President of the Company on March 15, 2004.

INDEPENDENT PUBLIC ACCOUNTANTS

The appointment of an independent public accountant is approved annually by the Board of Directors based on the recommendation of the Audit Committee. Grant Thornton LLP has served as independent public accountant of the Company since 1999. Representatives of Grant Thornton LLP will be present at the Annual Meeting of Shareholders and will be given an opportunity to make a statement if they desire to do so and will respond to appropriate questions from shareholders.

The aggregate fees billed to the Company for the year ended December 31, 2003 by Grant Thornton LLP are as follows:

Audit fees	\$ 110,000
Financial information systems design and implementation fees	\$
All other fees	\$ 6,600

The amount shown for Audit fees also includes fees relating to quarterly reviews of unaudited financial statements, and the amount shown for All other fees relate primarily to the audit of the Company's 401(k) profit sharing plan and an agreed upon procedures letter.

**COMPLIANCE WITH SECTION 16(a) OF
THE SECURITIES EXCHANGE ACT OF 1934**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors, its executive officers and persons holding more than 10 percent of a class of the Company's equity securities to file with the Commission, the American Stock Exchange and the Company initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. These officers, directors and greater than 10 percent shareholders are required by the Commission's regulations to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on review of the copies of such reports furnished to the Company, all such Section 16(a) filing requirements were complied with, except that one report disclosing initial ownership of greater than 10 percent of the Company's Class A Common Stock by Anil C. Nalluri, M.D., Inc. Profit Sharing Plan and Trust has not been filed.

ANNUAL REPORT TO SHAREHOLDERS

The Company has enclosed its Annual Report to Shareholders for the Company and its subsidiaries for the year ended December 31, 2003, including financial statements reflecting the financial position and results of operations of the Company and its subsidiaries for that year. The Annual Report is not deemed to have been filed with the Commission and such report is not incorporated in this Proxy Statement nor is it part of this proxy solicitation.

SHAREHOLDER PROPOSALS

Any proposals of shareholders which are intended to be presented at the 2005 Annual Meeting of Shareholders must be received by the Secretary of the Company at the principal executive offices of the Company not later than November 26, 2004. Such proposals must meet the requirements of the Commission to be eligible for inclusion in the Company's 2005 Proxy Materials.

FORM 10-K REPORT

THE COMPANY WILL FILE ITS ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2003, WITH THE COMMISSION ON OR BEFORE MARCH 30, 2004. A COPY OF THE REPORT, INCLUDING ANY FINANCIAL STATEMENTS AND SCHEDULES, AND A LIST DESCRIBING ANY EXHIBITS NOT CONTAINED THEREIN, MAY BE OBTAINED WITHOUT CHARGE BY ANY SHAREHOLDER. THE EXHIBITS ARE AVAILABLE UPON PAYMENT OF NOMINAL CHARGES WHICH APPROXIMATE THE COMPANY'S COST OF REPRODUCTION OF THE EXHIBITS. WRITTEN REQUESTS FOR COPIES OF THE REPORT OR EXHIBITS SHOULD BE DIRECTED TO THE SECRETARY, AVALON HOLDINGS CORPORATION, ONE AMERICAN WAY, WARREN, OHIO 44484-5555.

OTHER MATTERS

The Board of Directors does not know of any matters or business to be presented for action at the meeting other than as set forth above. The enclosed proxy does, however, confer discretionary authority upon the persons named therein, or their substitutes, to take action with respect to any other matter that may properly be brought before the meeting or any adjournment thereof.

SOLICITATION OF PROXIES

The enclosed form of proxy is solicited by the Board of Directors and the proxies named therein have been designated by the Board of Directors. Shares represented by the proxy will be voted at the meeting and, where a choice has been specified, such shares will be voted in accordance with such specification. If no specification is indicated, the proxies will be voted for the election of the nominees named herein as directors and on other matters presented for a vote in accordance with the judgment of the persons acting under the proxies. The cost of preparing, printing, assembling and mailing will be paid by the Company. In addition to the solicitation of proxies by mail, officers, directors, or other employees of the Company, as yet undesignated, and without additional remuneration, may solicit proxies personally or by other appropriate means, if deemed advisable. The Company will request brokers, banks and other nominees to send proxy material to, and obtain proxies from, the beneficial owners of Common Stock held of record by them and it will reimburse such persons for their expenses in so doing.

We request that you complete, sign, date and return your proxy promptly to ensure that your shares will be voted at the meeting. It is hoped that you will attend the meeting. For your convenience, a self-addressed envelope, which requires no additional postage if mailed in the United States, is enclosed.

BY ORDER OF THE BOARD OF DIRECTORS

JEFFREY M. GRINSTEIN

General Counsel and Secretary

Warren, Ohio

March 24, 2004

Avalon Holdings Corporation Participating Companies Profit Sharing Plan and Trust (the Plan)

**VOTING INSTRUCTIONS ARE SOLICITED BY PNC BANK, THE PLAN S TRUSTEE,
FOR THE ANNUAL MEETING OF SHAREHOLDERS, APRIL 29, 2004.**

As a Plan Participant, I acknowledge receipt of the Notice of Annual Meeting and Proxy Statement relating to the Annual Meeting of Shareholders of Avalon Holdings Corporation (the Company) to be held at the Avalon Holdings Corporation corporate headquarters, located at One American Way, Warren, Ohio, on Thursday, April 29, 2004, at 10:00 a.m., local time or at any adjournment thereof, and I hereby instruct PNC Bank, as Trustee under the Plan (the Trustee), to vote the shares of Class A Common Stock of the Company relating to my Plan account for which I have the right to give voting directions under the Plan, at such Annual Meeting in the manner set forth hereon. This card must be returned to Corporate Election Services using the enclosed envelope, who will tabulate voting instructions for the Trustee. If this card is not received by Corporate Election Services on or before the close of business on April 22, 2004, the Trustee cannot ensure that your voting instructions will be tabulated and counted. Your voting instructions will be accorded confidential treatment.

Please sign, date and return this card promptly using the enclosed envelope

(To be signed on the reverse side)

Avalon Holdings Corporation Participating Companies Profit Sharing Plan and Trust (the Plan)

VOTING INSTRUCTIONS ARE SOLICITED BY PNC BANK, THE PLAN'S TRUSTEE,

FOR THE ANNUAL MEETING OF SHAREHOLDERS, APRIL 29, 2004.

(Continued on the reverse side)

SIGNATURE _____

DATE _____

This Voting Instruction Card should be signed exactly as name appears hereon. Please sign, date and return this card promptly using the enclosed envelope.

1. ELECTION OF DIRECTORS BY THE HOLDERS OF CLASS A COMMON STOCK.

The Board of Directors of the Company recommends a vote FOR the election of the following nominees.

Nominees: Thomas C. Kniss and Stephen L. Gordon

** FOR all nominees listed above, except vote withheld for the following nominee(s):

** WITHHOLD AUTHORITY to vote for all nominees listed above.

2. IN THEIR DISCRETION, THE PROXIES ARE AUTHORIZED TO VOTE UPON SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING OR ADJOURNMENTS THEREOF.

This Voting Instruction Card, when properly executed, will be voted as directed above. If such card is returned executed with no direction given or if not returned at all, the Trustee shall vote in its absolute discretion.

