



Koenig Investment Advisory, LLC (KIA)

KIA is an independent investment advisory firm dedicated to providing investment management to private investors, trusts, and small businesses. We have been providing money management services for 20 years as a Registered Investment Advisor. We are licensed and regulated by the Securities and Exchange Commission (SEC) and have our office in Medford, Oregon.

Our Values

Performance Excellence - Our track record is sound. Our highly experienced investment professionals have continually delivered performance excellence while controlling risk. From 2004-2010 our clients with accounts of \$250,000 in value or greater have experienced account growth averaging 73% compared to a 30% increase over the same time period for the S&P 500.

Professional Integrity - Our reputation depends on each team member's ethical excellence. We act with a strong sense of personal accountability to our clients, share a vested interest in your financial success, and are independent of sales quotas and conflicts of interest. We invest our own assets in many of the same securities used in the portfolios we manage.

Long Term Client Relationships- Long-term relationships with clients are achieved by anticipating client needs and exceeding client expectations. You will enjoy a one-on-one relationship with a principal of our firm and regular ongoing interactions. Our new business is generated from client referrals, and our client base is constantly expanding.

Unlike a stock broker we have no proprietary products to sell. As an investment advisor, we have a fiduciary duty to operate with our clients best interests in mind. As such, KIA provides complete disclosure of all fees, operates without conflict of interest, and if so authorized, uses our discretion in selecting and acquiring client investments. Over eighty-five percent of our clients work with us on this basis.

We understand that each client has unique needs and we provide personalized solutions based on your goals, objectives and concerns. We believe long term relationships with clients are achieved by anticipating client needs and exceeding client expectations. We believe our performance excellence and reputation depend on professional integrity and ethical acts. KIA is committed to being your financial partner for years to come.

Why you want to choose KIA as your professional advisor

Investing is a science. It takes skill, research, and a track record of investing to know the signs of future performance.

With over 20 years in the securities investment business, Koenig Investment Advisory has demonstrated solid rates of return for business clients and private investors. From 2004-2010, our clients with accounts valued \$250,000 or more have experienced account growth averaging 73%. Compare this to a 30% increase over the same time period for the S&P 500 — a leading industry average.

What makes this possible? The key to making wise investment decisions is research, analysis, and appropriate asset allocation. Koenig Investment Advisory subscribes to 16 major research resources with access to many more through our strategic alliance with Fidelity Investments. We couple research with detailed analysis considering factors such as asset class valuations, sector trends, and key factors driving growth prior to selecting any investment.

Research shows that investors who use professional guidance enjoy greater returns than those who go it alone.

Performance

Koenig Investment Advisory has produced consistent performance as a result of implementation of our investment process. Our goal is to maximize returns for the risk each client is willing to take. We report performance in easy to understand quarterly reports that include dollars, percentages, and relation to industry benchmarks

All clients have the right to know how their portfolio is performing. Many firms avoid providing this information. Therefore, we make it easy for clients to access their accounts and performance at any time from the KIA website and send quarterly statements by mail.

We actively manage all portfolio holdings, making shifts and changes incrementally based on market activity. Each day we follow stock and mutual fund holdings through research and analysis, identify low risk plays, and inform clients of the rationale for our decisions.



***Koenig Investment Advisory
Five Year Performance – Net of Fees***

		KIA	S&P 500
Cumulative Return	Dec 2003 – Dec 2010	73%	30%
Annualized Rate of Return			

	KIA	S&P 500
2004	15.09%	10.74%
2005	11.78%	4.77%
2006	14.46%	15.64%
2007	12.79%	5.40%
2008	-32.68%	-37.00%
2009	32.25%	5.40%
2010	16.99%	-37.00%

Disclosure Statement

Performance calculation is calculated on client portfolios with minimum \$250,000 and full equity positions, managed by Greg Koenig from December 31, 2003 to December 31, 2010. Results are time-weighted rates of return net of management fees. Past performance does not guarantee future results.



Our Approach to Investing

We apply a forward looking approach to investing. We have found that the rear view mirror approach rarely leads to outperforming the market. KIA is always looking at what investments will do best over the next 2-3 years.

Different styles of investments work at different times – it takes years of experience and knowledge to be able to see the trends. It rarely pays to follow the masses blindly into the “flavor of the year”. Trends change and in essence change is always part of the makeup of the industry and always will be.

KIA specializes in managing money with mutual funds, and has found this to be an excellent investment vehicle for most investors. KIA has built relationships with fund managers, created an asset allocation model and selects the appropriate fund in the corresponding category.

Services

Koenig Investment Advisory provides a variety of investment-related services to our clients including:

- Investment review and counseling
- Financial and investment planning
- Custom retirement and distribution planning
- College education planning
- Investment performance calculation and reporting
- Estate trust planning

KIA uses a variety of investment products and services for our clients:

- Mutual Fund investments
- Individual stock investments
- Exchange Traded Funds (ETF's)
- Master Limited Partnerships
- Individual bonds

National Financial Services, a wholly owned subsidiary of Fidelity Investments acts as custodian for all of our clients' assets. NFS will execute the trades and prepare monthly statements to be sent to each client. KIA concentrates on providing the best advice possible and will provide customized quarterly statements focusing on the performance of each client portfolio compared to industry benchmarks. At any time clients can use the KIA website to check account balances, money market funds, account history, performance, and communicate with us via email.

Businesses

Whether you're a sole-proprietor, partnership, LLC, S corporation, or nonprofit, you have many tax saving options that allow you to save for retirement. KIA has experience working with sole proprietors and organizations on either an employer directed or employee directed basis.

Employer Directed Funds

Under employer directed plans, we work closely with company administration to establish the plan, set guidelines, and select from a defined set of investment options. Plan review and performance reporting is available to the company on an annual basis. Account setup, investment selection, and quarterly reporting are done on a one-on-one basis with each subscribed employee.

Employee Directed Funds

Employee directed funds by their very nature are less restrictive in terms of the investment options available. Employee directed funds are available directly to qualified individuals covered under SEP or SARSEP plans or simple IRA. Like employer directed funds, these plans are reviewed and performance reporting is available to the individual on an annual basis. Account setup, investment selection, and quarterly reporting are done on a one-on-one basis directly with the individual covered by a qualifying plan.

Investment Accounts

- Simple IRA
- SEP
- Keogh
- SARSEP
- Self-Employment Defined Benefit Plan
- Self-Employment 401K Plan
- Full Company 401K Plan
- 403(b) Retirement Savings Plan

High Net Worth Individuals and Trusts

KIA will get you on track to achieving your goals, whether your objectives are financial independence, retirement, college for your children or grandchildren, or disciplined asset building.

Nearly every major financial decision is also a personal decision. There is background, a personal and family history, desires and uncertainties, risks and rewards, and imminent and future considerations. This varies dramatically from one client to another, and even within a family. We strive to understand your unique circumstances so we are able to tailor our tax and financial advice to help each client make the decisions that best suit their situation and philosophy.

KIA works as part of your team of advisors. We will review taxable accounts, examine your tax situation and communicate with your CPA to minimize tax consequences. If your assets are held in trust, we can perform the same services.

We charge a percentage fee based on the total assets managed. We do not earn fees from any other source, and such a fee-based approach aligns our interest and yours.



Frequently Asked Questions

How do I become a client?

Please feel free to contact us at 1-800-959-7806. We can schedule you a meeting with an advisor to determine your account goals and prepare the paperwork needed to either begin a new account with us, or transfer an existing account from any other financial institution.

Do you have account minimums?

KIA accepts separately managed accounts starting at \$100,000 aggregate for each household.

Can I keep any of my current holdings if I move my investment account to Koenig Investment Advisory?

Yes. The transfer of assets from another financial institution is a fairly simple process. With a copy of your most recent account statement and a signed Transfer of Assets form, we can usually complete the transfer of an existing account within 7-10 business days. This includes IRAs and 401k plans with current or former employers.

What happens after I become a client? What reports will I receive?

As a client you will receive quarterly portfolio performance reports and market strategy insights detailed in newsletters market briefs created by our advisors.

How are KIA fees structured?

Our fee for investment management services is charged quarterly on a tiered structure at 1% annually for the first \$250,000 in assets managed, $\frac{3}{4}$ of 1% annually for assets between \$250,000-\$500,000, and a $\frac{1}{2}$ of 1% annual fee on all assets over \$500,000. All household accounts are aggregated to determine a single household value before assessing any fees. Therefore, a household with \$250,000 in cash and \$500,000 in IRAs would be seen to have \$750,000 in assets and have fees at the 1%, $\frac{3}{4}$ %, and $\frac{1}{2}$ % rates.

How does KIA measure the performance of my account?

When a client opens a new account, all information is entered into Centerpiece, a performance tracking system. Centerpiece tracks deposits, withdrawals, interest and dividend income and produces monthly, quarterly, and since inception performance data. Reports are retrieved via a password protected website, accessible by KIA.

What is a “managed account”?

A managed account represents a portfolio of securities that are managed according to the investment objectives of the personal investor. Managed account clients give KIA authority to buy and sell investments without requiring advance authorization. Clients receive monthly reports showing account holdings and individual asset valuations. All client buy-sell activity is immediately available electronically; in written format within one-week; and a full summary recap of all activity is provided monthly.

What is the S&P 500?

The Standard and Poors 500 (S&P 500) is an index made up of five hundred different stocks. Each is selected for liquidity, size, and industry. The index is weighted for market capitalization. The S&P 500 is the best benchmark for a broad based portfolio and standard 401k plan.

How do I know you are not taking extraordinary risk for the outstanding performance in my portfolio?

The broad stock market (S&P 500) is assigned a beta rating of 1. Beta is a commonly used benchmark of volatility. Our subscription service to mutual fund research data provides 3 and 5 year beta numbers on mutual funds held in KIA portfolios. The majority of no-load funds held in client accounts have a beta rating at or below the broad market. Portfolios may contain one or two funds with a beta slightly above the broad market, and other funds with a beta well below the broad market.

Do you exclusively use mutual funds in all client accounts?

KIA invests in no-load mutual funds exclusively for portfolios of less than \$100,000. Portfolios over \$500,000 will typically hold 15% of the assets in individual stocks. Some of our client portfolios hold 60% of the assets in income oriented investments based on age of client and associated risk.

Does KIA perform any other services?

We provide our clients with a complete review of your financial health by performing financial planning, retirement and distribution planning, and estate trust planning. However, we do recommend that you utilize other professionals such as CPA's, tax and estate attorneys, and real estate brokers as a complement to our services. These professionals can be an invaluable resource.

Do you receive any fees for purchasing specific mutual funds or stocks in my account?

Any mutual funds purchased are no-load funds. We make no fees on purchases of mutual funds or stocks. KIA earnings are limited to the management fee charged as regulated by the SEC and calculated on the percentage of total assets managed. We do not earn fees from any other source, and such a fee-based approach aligns our interest and yours.

What transaction fee costs will my account incur?

As many of our transaction are within no-load mutual funds, most transactions in your account will not incur fees. However, there are occasionally funds that do charge fees of \$15-\$35 for transactions. Funds with separate charges usually have lower internal management fee structures. Therefore, the fees are more than offset by the funds' lower expense ratios. KIA does not receive any portion of any such fees.

The analysis of fees can be a fairly complex area of investing that your advisor will detail thoroughly for you at the time of your initial account opening, and at any other time you wish to discuss the matter. Your advisor will take into account all matters that can affect the return of your investments, including expense ratios and fees. All potential investments have associated expense ratios, fees, and/or transaction costs that are not ignored, but an integral part of the analysis of the expected return of an investment.

It is important to remember that all of our accounts are maintained on a discount brokerage platform with the express purpose of keeping all fees as low as possible. Via this structure and the broker agreements we maintain with financial institutions, we are able to offer an investor lower transaction and fee costs than they could obtain by directly investing with these same institutions.

What is your proxy voting policy?

KIA does not vote proxies. Should you wish to receive advice on a particular proxy we can certainly help you understand the issue(s) involved, but will not direct you on how to vote.

What is your soft dollar policy?

KIA does not enter into any soft dollar relationships.

What is your code of ethics policy?

All KIA employees are required to review our Code of Ethics and attest to such a review annually. We are in business to serve our clients and employees are expected to act with integrity in a manner above reproach at all times.