

ITEM 1: COVER PAGE

**ATHENA ASSET MANAGEMENT
& RESEARCH, LLC**

**555 CALIFORNIA STREET
THIRD FLOOR
SAN FRANCISCO, CALIFORNIA 94104**

**FORM ADV PART 2A
Firm Brochure
December 20, 2012**

This brochure provides information about the qualifications and business practices of Athena Asset Management & Research, LLC. If you have any questions about the contents of this brochure, please contact Todd Lee at (415) 829-4333. 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.

Item 2:

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ITEM 3: MATERIAL CHANGES

Athena Asset Management & Research, LLC (“Athena”) is in the process of switching its investment adviser registration from the U.S. Securities and Exchange Commission (“SEC”) to the State of California Department of Corporation (the “Department”). The transition is in connection with the Dodd-Frank Wall Street Reform and Consumer Protection Act. SEC rules adopted under Dodd-Frank permit only large investment advisory firms (with a few exceptions) will remain registered with the SEC.

ITEM 4: ADVISORY BUSINESS

- A. Athena has been registered as an investment adviser since February 22, 2002, when Athena registered with the Department. Athena switched to SEC registration when it was eligible to do so. Under Dodd-Frank, Athena is switching its registration back to the Department.
- B. Todd Allen Lee is Athena’s sole principal and owner.
- C. Athena offers strategy specific investment advisory services to individuals, pension plans, and corporations. Client accounts are managed individually, based on each client’s investment objectives and constraints – including investment return requirements, risk tolerance, tax status, and income needs. Accounts are managed on a discretionary basis, meaning that Athena has the authority to determine asset allocation, security selection, portfolio rebalancing and other investment decisions.

Athena’s minimum account size is \$500,000; however, Athena may accept accounts below its minimum, in its sole discretion.

- D. In tailoring advice for its clients, Athena considers a number of factors including investment return requirements, risk tolerance, tax status, and income needs.
- E. Athena does not participate in wrap fee programs.
- F. As of November 30, 2012, Athena’s assets under management totaled \$20 million; all are discretionary assets.

ITEM 5: FEES AND COMPENSATION

- A. Athena charges investment management fees based on a percentage of the market value of the assets under management. Athena’s asset management fee is 1.25%, although the fee may be negotiable for large accounts.

- B. Fees are billed quarterly, in advance, based on the value of assets in the account on the first day of a calendar quarterly. Fees are prorated for a deposit to the account at times other than the start of a calendar quarter.

All clients are required to authorize their custodians to pay advisory fees directly to Athena from the clients' accounts, based upon disbursement procedures that are intended to safeguard the client accounts. Clients receive statements from directly from their custodians that show the amount paid to Athena. Clients are encouraged to review their statements to make sure that the fees paid to Athena are accurate.

- C. In addition to advisory fees, clients pay transaction costs and custodian fees for transactions in their accounts. If assets in client accounts include pooled investment vehicles, such as mutual funds, the accounts would be charged a portion of the advisory fees paid to the advisers who manage the funds.

For information on brokerage costs, please refer to Item 12, below.

- D. If for any reason a client or Athena decides to terminate an investment advisory contract, the client and Athena must give two weeks' written notice to the other. Prepaid fees will be refunded on a prorated basis.
- E. Neither Athena nor Mr. Lee accepts compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual fund shares.

ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Athena does not charge performance-based investment advisory fees. In addition, Athena does not engage in side-by-side management where an investment adviser advises different types of client accounts separately from other investment management accounts.

ITEM 7: TYPES OF CLIENTS

Currently, Athena's clients are primarily individuals, both high net worth and non-high net worth. In addition, Athena has pension/profit sharing plan and charitable organization clients.

ITEM 8: METHOD OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Athena's investment advisory services are focused on a high yield fixed income strategy. This strategy also includes investing in securities of distressed/bankrupt companies, and equity securities in highly leveraged companies.

"High yield securities" are securities issued by companies with investment or credit rating than are lower than investment grade. Athena considers its "high yield investment strategy" an equity

substitute with similar risk and return characteristics as those of more traditional equity based strategies. Athena's normal asset allocation includes corporate bonds, convertible bonds, preferred stocks, and common equity securities with below investment grade ratings.

Athena uses a range of information sources, including financial newspapers, inspection of corporate activities, research materials prepared by others, annual reports, SEC filings and press releases.

Athena uses investment strategies that are both long term and short terms, trading within 30 days, short sales, margin transactions and option writing, including covered options, uncovered options or spreading strategies.

ITEM 9: DISCIPLINARY INFORMATION

There are no adverse events affecting Athena or its principal that would be material for a client's decision to use Athena's investment advisory services.

- A. There have been no criminal or civil actions in a domestic, foreign or military court of competent jurisdiction involving either Athena or its sole manager.
- B. There have been no administrative proceedings before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority involving either Athena or its sole manager.
- C. There have been no self-regulatory organization (SRO) proceedings involving either Athena or its sole manager.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

- A. Neither Athena nor its sole manager is registered or has a pending registration as broker-dealer or a registered representative of a broker-dealer.
- B. Neither Athena nor its sole manager is registered or has a pending registration as a futures commission merchant, commodity pool operator, a commodity-trading adviser, or as an associated person of the foregoing list.
- C. Neither Athena nor its sole manager has a related company or person in the financial services industry.
- D. Athena does not recommend or select other investment advisers.

ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

As an investment adviser, Athena is a fiduciary to its clients and as such will always place the interests of its clients above interests of the firm and its sole principal. Athena treats all clients fairly and acts in the best interest of its client. Athena will inform its clients of any conflicts of interest Athena or its Principal may have in connection with providing advice to clients or in recommending or selecting third parties for brokerage or custodial services. Athena may also disclose what may appear to be a conflict of interests.

Participation or Interest in Client Transactions

Athena and its Principal invest in the same types of securities that are held in client accounts.

Personal Trading

When Athena and its Principal invest in the same securities as those held in client accounts, Client transactions will be placed before transactions for Athena or Athena's Principal, unless all transactions are block traded. In the event of short fills in blocked transactions, Athena will place client transactions prior to those of Athena or Athena's Principal.

ITEM 12: BROKERAGE PRACTICES

A. Description of Factors in Selecting/Recommending Broker-Dealers

Athena does not exercise full brokerage discretion with respect to its client accounts. Athena's agreements with its clients provide that clients are responsible for selecting broker-dealers for their account custody and transactions. Athena recommends Morgan Stanley to all clients for both custodial and brokerage services. In recommending Morgan Stanley, Athena's primary criteria are based upon the firm's capabilities, experience, and fundamental understanding of high yield securities and trading. Athena has negotiated fees with Morgan Stanley, so that Morgan Stanley charges institutional rates for Athena's client transactions for accounts that are held at Morgan Stanley. Clients with large accounts may and sometimes do negotiate their own rates with Morgan Stanley.

Clients affirmatively decide whether to use Morgan Stanley for custodial and or brokerage services. Clients are not required to use Morgan Stanley; they are free to select other custodians and broker-dealers for their accounts.

Generally, Athena uses the broker-dealer that serves as the custodian to its client accounts to place transactions for the account. Athena does identify securities that may be available only from other broker-dealers, and acquires these securities through an arrangement with Morgan Stanley. Given the nature of Athena's investment strategy and its size, Athena believes that

better transaction rates can be obtained from the account custodian – in this case, Morgan Stanley. Athena’s primary criteria for recommending a transacting broker-dealer are transaction capabilities, experience, and fundamental understanding of high yield securities and trading.

Athena is not a “related party” of Morgan Stanley, nor is it technically a “related party” of the registered representative at Morgan Stanley who executes a substantial number of transactions for Athena’s client accounts. As used in this context, “related party” generally means a company or an individual who is affiliated with or is in a control relationship with Athena or Athena’s Principal in a business sense. Nonetheless, please note that the Morgan Stanley account representative is the father of Athena’s Principal. The registered representative is not a member of the Principal’s household, and does not exercise control over any aspect of Athena’s operation. The relationship has allowed Athena to access institutional rates for client transactions, which may not have otherwise been available to Athena and its clients. The registered representative, as do other registered representatives who execute trades for Athena’s client accounts, receives a portion of the transaction charges, through his registered representative agreement with Morgan Stanley. The use of the registered representative does not result in higher fees charged based upon rates available to Athena. Nonetheless, higher or lower fees for similar services may be available from other sources.

As an investment adviser, Athena is a fiduciary with respect to its clients. As a fiduciary, Athena has a duty to act in the best interest of its clients. When recommending broker-dealers for client transactions, Athena has a duty to obtain the most favorable available execution. In certain circumstances, the most favorable execution may not necessarily have the lowest transaction cost.

Athena’s “primary brokerage” arrangement with Morgan Stanley provides certain record-keeping services. In addition, Morgan Stanley performs the following functions, among others:

- Arranges for receipt and delivery of securities purchased, sold, borrowed, and loaned;
- Makes and receives payments for securities;
- Maintains custody of securities;
- Maintains custody of all cash, dividends and exchanges, distributions and rights accruing to an account, and delivers cash to clients; and
- Tenders securities in connection with cash tender offers, exchange offers, mergers, or other corporate reorganizations.

All of Athena’s transactions are effected through Morgan Stanley, unless client chooses to custody the client’s assets at another custodian, and directs use the other custodian for transactions in the client’s account.

The brokerage arrangement with Morgan Stanley allows Athena to gain access to transactions and execution capabilities that it would not otherwise have been able to access. It is Athena’s good faith believe that its use of Morgan Stanley fulfills its duties to used the most favorable available execution taking into account the circumstances of its operations.

The commissions paid by client accounts under the primary brokerage arrangement with Morgan Stanley may be more or less than the brokerage arrangements provided by other broker-dealers.

1. Research and Other Soft-Dollar Benefits

Morgan Stanley's brokerage and related services are not soft dollar benefits.

2. Brokerage for Client Referrals

Athena does not have a client referral arrangement with any broker-dealer used for client account transactions.

3. Directed Brokerage

Athena's directed brokerage policies permit:

- The client may direct that transactions be effected through specific brokers and dealers ("Directed Broker").
- The client may instruct Athena to utilize a Directed Broker:
 - whether or not its fees are competitive, and
 - where the specified levels of commission discounts are less favorable than might otherwise be obtained by the Athena.

Clients may direct Athena to use a Directed Broker for custodial services and account transactions. When clients do so, they will not receive the benefits that Athena has arranged with Morgan Stanley (see description above). Clients will not participate in aggregate trades through which clients may receive a better price and transaction costs.

Athena may, in its sole discretion and without assuming any legal duty to do so, monitor the services of a Directed Broker, including commission rates. Athena may, but is not obligated to do so, notify a client that a more favorable commission rate may be obtainable from the Directed Broker or from another broker, and will, if requested in a document signed by the client, seek to negotiate a commission rate with the Directed Broker or one more other firms.

B. Aggregating Client Transactions

Athena performs investment management services for various clients. There will be occasions in which portfolio transactions may be executed as part of concurrent authorizations or aggregate orders to purchase or sell the same security for numerous accounts served by Athena, some of which may have similar investment objectives. Although such aggregate orders potentially could be either advantageous or disadvantageous to any one or more particular account, they will be effected only when Athena believes that to do so will be in the best interest of the affected accounts. When such aggregate orders occur, the objective will be to allocate the executions in a manner that is deemed equitable to the accounts involved.

ITEM 13: REVIEW OF ACCOUNTS

Account Reviews: All accounts maintained by Athena Asset Management & Research, LLC (“Athena”) are reviewed continuously. The portfolio manager has access to daily computer updates of all portfolios for which he is responsible. All portfolios are reviewed after transactions are made in the account to determine if the account is in conformity with its investment guidelines. All accounts are reviewed in light of emerging trends and developments as well as market volatility. The portfolio manager carries out portfolio review. Accounts are reviewed for adherence to client investment objectives and asset allocation guidelines.

Clients are responsible to keep Athena informed as to any personal changes to their financial condition. Athena cannot make any material changes to a client’s portfolio if it is not informed of a client’s particular developments. Therefore, a client that encounters any sudden material financial development/change in financial circumstance should immediately inform Athena.

Account Reports: The official account statements are provided to clients monthly from the custodian for their accounts. In addition to the custodian statements, Athena may also provide periodic reports that show additional account information, such as performance data.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

Athena has no arrangements in which it pays for client referrals. Athena does not receive other compensation associated with its clients account, in addition to its advisory fees.

ITEM 15: CUSTODY

Athena does not have custody of client assets. Client assets are held by qualified custodians.

ITEM 17: VOTING CLIENT SECURITIES

Generally, Athena votes proxies for all of its client accounts, unless proxy-voting rights are retained by the client. Each proxy is reviewed and voted in a manner that is consistent with the interests of Athena’s clients.

Clients may request a copy of Athena’s proxy voting policies as well as information concerning how a specific proxy was voted by contacting Athena in writing at the address shown on the cover sheet of this Form ADV Part 2A.

ITEM 18: FINANCIAL INFORMATION

A. Athena does not require or solicit payment of more than \$500 in fees per client, six months or more in advance.

- B. Athena has no financial condition that is reasonably likely to impair Athena's ability to meet contractual commitments to its clients.
- C. Athena has not been subject to a bankruptcy petition.

ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS

- A. Athena's sole principal and his business background are as follows:

Name: Todd Allen Lee
Year of Birth: 1964

Education: Arizona State University, Tempe, AZ., B.S. Finance, 1987
Chartered Financial Analyst

Background: Portfolio Manager/Analyst, Athena Asset Management & Research, LLC, San Francisco, CA, 02/2002 – present
Securities Analyst, Botti Brown Asset Management, San Francisco, CA, 07/2004 – 10/2006
Registered Representative, CS First Boston, San Francisco, CA, 04/1998 – 06/1999
Registered Representative, Bear Stearns & Co., Los Angeles, CA, 09/1996 – 04/1998

- B. Athena and its sole principal are not actively engaged in any business than investment advisory services.
- C. Neither Athena nor its sole principal/supervised person receives performance-based compensation.
- D. Athena and its sole manager *have not ever been involved* in any of the events listed below:
 - 1) An award or otherwise been found liable in any arbitration claim alleging damages in excess of \$2,500.
 - 2) An award or otherwise been found liable in any civil, self-regulatory organization, or administrative proceeding.
- E. Neither Athena nor Mr. Lee has relationships or arrangements with issuers of securities.