

**Item 1.      Cover Page**

**Form ADV, Part 2A**  
**Disclosure Brochure**  
**of**  
**Koch Asset Management, LLC**  
**1293 S. Mason Road**  
**St. Louis, MO 63131**  
**(314) 878-8774**  
**Dated: March 31, 2011**

This brochure provides information about the qualifications and business practices of Koch Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at (314) 878-8774 and [kam7@juno.com](mailto:kam7@juno.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. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

Additional information about Koch Asset Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2.       Material Changes Summary**

This brochure provides prospective clients with information about Koch Asset Management, LLC that should be considered before or at the time of obtaining our advisory services.

Effective March 31, 2011, the SEC adopted a new form of brochure for registered investment advisers that includes the information previously required in Form ADV Part II. This brochure is required to be updated at least annually, or sooner when material changes to our business take place. The summary below discusses only material changes since our last annual update of this brochure on January 11, 2011.

- This new format for Form ADV Part 2A now provides the client with the total amount of Assets Under Management in Item 4(E).
- Item 8 now provides the material risks involved for significant investment strategies and method of analysis Advisor uses as well as for any particular type of securities primarily recommended by Advisor.
- The education and business background of supervised persons of the Advisor responsible for formulating investment advice and having direct contact with you, or who have discretionary authority over your assets, has been removed from this disclosure brochure and will instead be provided in Form ADV Part 2B.

Each year we will deliver to you, by no later than April 30<sup>th</sup>, a free updated brochure that includes or is accompanied by a summary of material changes; or a summary of material changes and an offer to provide a copy of the updated brochure and how to obtain it.

### Item 3. Table of Contents

<b><u>Description</u></b>	<b><u>Page</u></b>
Item 4. Advisory Business.....	4
Item 5. Fees and Compensation .....	4
Item 6. Performance Based Fees and Side by Side Management.....	5
Item 7. Types of Clients and Minimum Requirements .....	5
Item 8. Method of Analysis, Investment Strategies and Risk of Loss .....	5
Item 9. Disciplinary Information .....	6
Item 10. Other Financial Industry Activities and Affiliations .....	7
Item 11. Code of Ethics, Interest in Client Transactions and Personal Trading .....	7
Item 12. Brokerage Practices.....	8
Item 14. Client Referrals and Other Compensation.....	10
Item 15. Custody .....	10
Item 16. Investment Discretion.....	11
Item 17. Voting Client Securities .....	11
Item 18. Financial Information .....	11
Item 19. Requirements for State Registered Advisors .....	11
Miscellaneous .....	12
Business Continuity Plan.....	12
Appendix 1 - Privacy Policy.....	12

## **Item 4. Advisory Business**

### *Firm Description*

Koch Asset Management, LLC ("Advisor") is an independent advisory firm registered with the Securities and Exchange Commission pursuant to Section 203 of the Investment Advisors Act of 1940, as amended (the "Act"). Advisor was organized as a limited liability company under the laws of the State of Missouri and has been operating as an investment advisory firm since 1992.

### *Principal Owner*

The Advisor's principal owner is Donald L. Koch.

### *Types of Advisory Services*

The Advisor provides continuous investment supervisory services. The Advisor primarily offers advice on the following types of investments: Equity Securities, Certificates of Deposit, and U.S. Government Securities.

### *Assets Under Management*

The Advisor provides investment advice to clients on a discretionary basis. As of December 31, 2010, the Advisor's total assets under management are as follows:

Discretionary Clients = \$44,669,050

Non-Discretionary Clients = \$0

## **Item 5. Fees and Compensation**

### *Description*

Advisor's standard annual fee is 1% of assets under management ("Base Fee"); plus 20% of all realized gains in client's portfolio during the year, provided that the portfolio has an overall 5% cumulative annual return ("Performance Fee"). Fees for any particular client or account are negotiable and may be waived in certain circumstances.

### *Fee Billing*

Base Fees are generally charged quarterly, in arrears, at the end of each calendar quarter, based on the value of the client's account at the end of the quarter. New accounts are charged a pro-rata fee for the applicable portion of the quarter. Performance Fees are generally charged annually, in arrears, at the end of the calendar year.

### *Other Fees and Expenses*

Advisor's fees do not include brokerage commissions or securities transaction fees charged by client's custodian (which custodian must be a "qualified custodian" as required by applicable regulatory requirements) and/or broker-dealer.

### *Termination of Advisory Agreement*

Either the client or Advisor may terminate the investment advisory contract upon 30 days' advance written notice to the other party (as of the date of termination).

## **Item 6. Performance Based Fees and Side by Side Management**

Advisor's performance fee arrangements are designed to comply with the provisions of Rule 205-3 under the Act. To pay a performance-based fee, each client must be a "qualified client," which includes any person that, immediately after entering into the advisory agreement, has at least \$750,000 under the management of Advisor, or has a net worth (together, in the case of an individual, with assets held jointly with a spouse) of more than \$1,500,000 at the time the advisory agreement is entered into.

Performance-based fee arrangements may create an incentive for Advisor to make riskier, more speculative investments than would be the case in the absence of a performance fee. The Advisor will receive a performance fee only if gains are realized upon the sale of an investment. Therefore, performance fee arrangements may create an incentive for Advisor to sell client securities in order to generate revenue for the Advisor without regard for the client's best interest.

## **Item 7. Types of Clients and Minimum Requirements**

The Advisor generally provides investment advice to individuals, high net worth individuals and pension and profit sharing plans.

The Advisor does have certain minimum thresholds that have been established to allow the Advisor to provide the high level of personal services and attention which we believe our clients deserve. Advisor has established a minimum initial account value for new accounts of \$750,000. Advisor may, in its sole discretion, accept such lesser amounts as it deems appropriate. Additionally, the Advisor accepts as clients only individuals who are "qualified clients" as defined under the Advisors Act.

## **Item 8. Method of Analysis, Investment Strategies and Risk of Loss**

### *Methods of Analysis*

The Advisor's primary investment objective is preservation of capital. Advisor seeks to obtain above average rates of total return on quality common stock in the financial service sector, with minimum financial risk, using a value investing approach. Advisor works from an established base of 500 eligible companies and selects those institutions that appear to have the greatest potential for capital appreciation over a typical time frame of 5-7 years although in some cases the term could be longer. Advisor generally focuses on companies with assets above \$100 million and a market capitalization ranging from \$20 million - \$1 billion. Advisor prefers to target 50 specific companies that meet the investment criteria for potentially superior rates of total return with minimal down side risk. Most target companies are selling at a discount to tangible or liquidation "book value" while still experiencing rising earnings per share. In many cases, the price/earnings ratio is below the peer group.

Advisor's stock selection process employs fundamental security analysis. When the Advisor chooses investments using a fundamental analysis, it examines macroeconomic, financial and other qualitative and quantitative factors, regardless of the size of the account. Advisor obtains information about potential investments from all types of public information including, but not

exclusively, filings with the Securities and Exchange Commission and other federal and state regulatory agencies, financial publications, discussions with corporate management, sell-side analysts, industry reports, press releases, research reports and corporate rating services. Intrinsic value, low liquidation costs, as well as personal visits with management are the Advisor's primary methodology of stock selection.

Advisor recommends investment strategies that it believes are appropriate based on each client's investment objectives and investment restrictions, if any. Advisor's investment recommendations to clients may depend on, among other things, a client's needs and investment objectives; the availability of recommended securities; the Advisor's judgement of a security's characteristics, suitability, and interchangeability with other securities for investment purposes. As a result of its evaluation of the foregoing considerations, Advisor does not necessarily present all eligible investment opportunities to every client and Advisor may make intra-day, opposing recommendations to clients on individual securities.

#### *Principal Investment Strategies*

The investment strategies used to implement investment advice given to clients primarily include long term purchases.

A long-term purchase strategy generally assumes the financial markets will go up in the long-term, which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may involve an opportunity cost – that of “locking-up” assets that may be better utilized in the short-term for other investments.

#### *Principal Investment Risks*

***Investing in securities involves risk of loss that clients should be prepared to bear.*** Risk refers to the possibility that you will lose money (both principal and any earnings) or fail to make money on an investment. The Advisor cannot guarantee that it will achieve a client's investment objective. Below are some of the more specific risks of investments which the Advisor may recommend to clients:

**Equity Risk.** Equity securities tend to be more volatile than other investment choices. The value of an individual equity security can be more volatile than the market as a whole. This volatility affects the value of the client's overall portfolio. Small- and mid-cap companies are subject to additional risks. Smaller companies may experience greater volatility, higher failure rates, more limited markets, product lines, financial resources, and less management experience than larger companies. Smaller companies may also have a lower trading volume, which may disproportionately affect their market price, tending to make them fall more in response to selling pressure than is the case with larger companies.

### **Item 9. Disciplinary Information**

The Advisor has no material legal or disciplinary events to report.

## **Item 10. Other Financial Industry Activities and Affiliations**

None.

## **Item 11. Code of Ethics, Interest in Client Transactions and Personal Trading**

### *Code of Ethics*

Advisor has adopted a Code of Ethics pursuant to Rule 204A-1 under the Advisors Act which is based on the principle that Advisor and its employees owe a fiduciary duty to clients. In complying with this duty, advisory personnel must avoid activities or interests that might interfere with making decisions in the best interests of clients. Under the Code of Ethics, Advisor's advisory personnel are required to submit regular reports of their personal securities transactions to the Chief Compliance Officer for review. In addition, each person subject to the Code of Ethics is required to report all violations of which such person becomes aware to the Chief Compliance Officer. Advisor will provide a copy of its Code of Ethics, free of charge, upon the written request of any client.

### *Participation or Interest in Client Transactions*

Advisor and/or its representatives make equity purchases that precede recommendations to and/or transactions for client accounts in the same or similar equity securities. Specifically, Advisor's representative has been and continues to be a longstanding depositor at a number of thrift institutions. If and when one of these thrifts demutualize, it will make an initial non-assignable, non-transferable offer of its equity securities exclusively to its long-term depositors. Typically, such offers are made only to individuals who have been depositors with the thrift for at least five years. Koch offers its clients who desire to participate in such transactions advice on how they may be eligible to participate in such demutualizations. Where clients acquire, based on Koch's advice, securities that Advisor, or its representatives, (i) purchased in advance of the client's acquisition of securities of the same issuer, and (ii) still hold at the time the client acquires such securities, neither Advisor nor its representatives will sell the security for their own account less than 90 days after the client has acquired such securities based on Advisor's advice. Neither Advisor nor its representatives will fully liquidate personal holdings of a security that is also held by one or more clients in advance of clients' liquidation of such security, where the client's holdings in such security are established at Advisor's recommendation and Advisor has discretion to sell the securities held for the client's account. Advisor and its representatives may, however, reduce their holdings in such securities (subsequent to the 90 day period described above) at times and rates different from the times and rates at which client positions are reduced where (i) the reduction is not precipitated by developments specific to the securities (or their issuer) and (ii) is designed to create liquidity.

### *Personal Trading*

As noted above, from time to time, Advisor's officers and employees may purchase securities for their own personal accounts, which are also purchased on behalf of clients. Advisor's personnel may purchase and sell for their own accounts securities that Advisor does not recommend to clients, but are similar to those Advisor does recommend. Advisor has adopted an Insider Trading Policy that prohibits its investment advisory representatives from trading on material non-public information.

## **Item 12. Brokerage Practices**

### *Recommending Brokerage Firms*

Advisor may use broker/dealers to execute orders in OTC stocks on an agency basis, in which case, in addition to commissions, a client may pay other transactions costs, such as a mark-up or a mark-down. Additionally, broker custody of client assets may limit or eliminate Advisor's ability to obtain best price and execution for transactions in OTC securities. Advisor negotiates the commission to be paid for OTC transactions. In selecting and recommending brokers to execute client transactions, Advisor considers a number of factors, including price, the quality of trade executions, and quality of client services, including but not limited to the broker's responsiveness to and communication with Advisor, timeliness, order routing and absence of trade error.

### *Client-Directed Brokerage*

Occasionally a client may, in writing, direct Advisor to use a particular broker to execute portfolio transactions for its account or request that certain types of securities not be purchased for its account. If such instances, Advisor will place all orders pursuant to its investment determinations on behalf of client's portfolio through the broker selected by the client, even though Advisor may be able to obtain a more favorable net price and execution from another broker in particular transactions. A client who designates the use of a particular broker should understand that it may lose (i) the possible advantage that Advisor's other clients derive from aggregation of orders for several clients as a single transaction for the purchase or sale of a particular security and (ii) the ability of Advisor to effectively negotiate the commission rate, obtain volume discounts and best execution may not be achieved. In addition, under these circumstances a disparity in commission rates may exist among clients commissions charged to other clients. The trades of a client with a directed brokerage arrangement may also be effected with or after the trades of clients that have not designated a particular broker.

### *Best Execution*

Advisor prefers to select the broker/dealer that will provide best execution of portfolio transactions for client's accounts and, generally, the client leaves that selection to Advisor. In selecting a broker/dealer for each specific transaction, Advisor uses its best judgment to choose the broker/dealer most capable of providing the services necessary to obtain the best available price and most favorable execution reasonably obtainable under the circumstances. Advisor typically considers the full range and quality of brokerage services when making this judgment. Such brokerage services may include: capable floor brokers or traders, competent block trading coverage, ability to position, capital strength and stability, reliable and accurate communications and settlement processing, use of automation, knowledge of other buyers or sellers, administrative ability, underwriting and provision of information on the particular security or market in which the transaction is to occur. In light of all relevant factors, Advisor typically will select the market mechanism which offers the best qualitative execution for client transactions.

### *Soft Dollars*

Advisor attempts to assess the reasonableness of commissions paid in light of the total brokerage and research services provided by each particular broker-dealer. Certain broker-dealers selected by Advisor provide Advisor with certain research and statistical services of the kind contemplated by the Securities Exchange Act of 1934 (the "1934 Act"), services which would otherwise be available to Advisor only for a cash payment. As a result of receiving such research services in return for directing client brokerage (so-called "soft dollar arrangements") Advisor has an incentive to continue



to use such brokers and dealers to effect transactions for clients' accounts as long as such brokers and dealers continue to provide services to Advisor.

Section 28(e) of the 1934 Act permits Advisor to cause a client account to pay commission rates in excess of those that another broker/dealer would have charged for effecting the same transaction, if the Advisor determines, in good faith, that the commission paid is reasonable in relation to the value of the brokerage and research services provided. The determination may be viewed in terms of either the particular transaction involved or the overall responsibilities of Advisor with respect to the accounts over which it exercises investment discretion. Research furnished by broker-dealers may be used to service any or all of Advisor's clients and may be used in connection with accounts other than those that pay commissions to the broker-dealer providing the research. Research services may include information on the economy, industries, group of securities, individual companies, statistical information, accounting and tax law/interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis and analysis of corporate responsibility issues. To the extent that research services of value are provided by broker-dealers, Advisor may be relieved of expenses that it might otherwise bear. Advisor may allocate brokerage for research services that are also available for cash, where appropriate and permitted by law. In circumstances where Advisor receives such research or brokerage services in return for "soft dollars" and such services are also administrative in nature (such as preparation of client account valuations or provision of electronic access to client account information), a good faith effort is made by Advisor to allocate the cost of such service so that the value of the services eligible for the safe harbor is borne by client accounts and the value of such services used by Advisor for other purposes is borne (and paid in cash) by Advisor. Any allocation made by the Advisor of mixed use services poses a conflict of interest in that Advisor has a financial incentive to allocate a greater portion of the cost of such services to the client. Advisor does not enter agreements with, or make commitments to, any broker-dealer that would bind Advisor to compensate that broker-dealer with client commissions in return for client referrals.

#### *Order Aggregation*

As a matter of general policy and practice, Advisor will aggregate transactions for advisory clients where practicable. Aggregating transactions allows the trading of aggregate blocks of securities of assets from multiple client accounts. Generally, aggregating client transactions allows Advisors to execute transactions in a more timely, efficient and equitable manner and to seek best execution and/or to reduce commission charges for clients. Advisor may not apportion shares to participating clients in equal percentage amounts. Advisor may aggregate trades of its advisory personnel with those of clients so that personnel of Advisor participate alongside clients in such trades. All participants in an aggregated trade receive the average execution price and pro rata transaction cost.

When and where possible, Advisor will aggregate transactions for all clients including directed and non-directed brokerage transactions for individual client portfolios. Client transactions cannot necessarily be aggregated with other non-directed client transactions where a client has directed Advisor to use a particular firm for its portfolio transactions. However, Advisor will generally aggregate client transactions in directed brokerage arrangements when clients have directed Advisor to use the same firm. In situations where accounts may be buying or selling the same security over a period longer than one day, Advisor will continue to aggregate participating client transactions when possible.

Advisor typically allocates securities among eligible client accounts based on account objectives, restrictions, size and available assets or cash. Where practicable and when allocating IPO's, partial orders or limited investment opportunities, Advisor seeks to manage client portfolios in such a way that all clients and portfolios have an equitable and fair opportunity to participate in investment opportunities and allocations over time and no client(s) are systematically advantaged or disadvantaged over others. However, there may be some circumstances in which certain clients or portfolios may not participate equally (or at all) in particular investment opportunities or investment allocations due to investment guidelines, restrictions, portfolio liquidity or other reasons.

### **Item 13. Review of Accounts**

All client portfolios are reviewed typically weekly, but no less than quarterly, by Mr. Donald Koch, Chief Compliance Officer, to ensure all portfolios are being managed in compliance with (a) client's stated goals and objectives and (b) the Advisor's investment philosophy and strategy. Advisor may conduct a special review of any client account for cash availability, upon client's request, or in unusual market circumstances.

Although the nature and frequency of reports to clients are determined primarily by the particular needs of each client, clients typically receive reports from Advisor regarding their account at least quarterly. In addition, through telephone calls and in-person meetings, Mr. Koch will keep clients informed of the investment policy and strategy being used to seek to achieve clients' investment objectives.

Clients should receive at least quarterly reports from their qualified custodian that include confirmation of all transactions in their account during the period.

### **Item 14. Client Referrals and Other Compensation**

#### *Incoming Referrals*

We do not, but may in the future, compensate people or firms for providing referrals.

#### *Referrals of Other Professionals*

Advisor may refer clients to other service professionals if requested or deemed necessary, based on the specific needs of the client. For example, Advisor may refer clients to legal counsel or accountants. It is possible that these professionals may, in turn, make referrals of their clients seeking investment advice to Advisor.

#### *Other Compensation*

Advisor does not receive sales charges, commissions, service fees, 12b-1 fees or other compensation from a non-client in connection with providing investment advice to a client.

### **Item 15. Custody**

Custody of client assets will be maintained only with "qualified custodians" as defined under the Act and selected by Client in its discretion, which selection may change from time to time. Clients

typically grant Advisor authority to deduct its fees directly from the client's account. Client's custodian and/or broker will provide regular account statements directly to Client that reflect all transactions in client's account(s), including all securities transactions in their account during the statement period and the amount of any advisory fee deducted. Clients should inform Advisor promptly if they are not receiving account statements from their custodian. Client is responsible for verifying the accuracy of the fee calculation, as Client's custodian will not determine whether or not the fee was properly calculated. Advisor will not accept physical custody of clients' securities or cash. Clients will retain ownership of all securities and cash in their accounts.

#### **Item 16. Investment Discretion**

##### *Discretionary Trading Authority*

Advisor manages only discretionary accounts. Accordingly, Advisor determines which securities are bought and sold for each client's account and the amount of such securities bought or sold.

##### *Limited Power of Attorney*

Clients who have granted discretionary trading authority to the Advisor are required to grant a "limited power of attorney" to Advisor over client's custodial account for purposes of trading and fee deduction. The client grants this authority in the brokerage account application.

#### **Item 17. Voting Client Securities**

Advisor does not accept authority to vote proxies for clients. Each client retains proxy voting authority over the securities held in the client's account. Client shall be responsible for directing its custodian to promptly forward to the client all proxy solicitation notices that relate to securities held in the client's account. The client may thereafter, in the client's sole discretion and at the client's sole expense, decide how to vote such proxies. Advisor may offer assistance as to proxy matters upon a client's request, but the client always retains the proxy voting authority. A copy of Advisor's proxy voting policy is available, free of charge, to any client upon request.

#### **Item 18. Financial Information**

We are not aware of any financial conditions that are reasonably likely to impair the fulfillment of our contractual commitments to our clients.

#### **Item 19. Requirements for State Registered Advisors**

Because Advisor is a federally registered investment adviser, this Item is not applicable.

## **Miscellaneous**

### **Business Continuity Plan**

Advisor has adopted a business continuity plan that governs how its operations will be conducted in the case of an internal or external significant business disruption. In the case of a significant business disruption that affects communication with or to Advisor's main office, clients are urged to call Advisor's emergency number at 314 878-8774 (Donald Koch) or the client's independent custodian for any and all questions that they may have with respect to their account. A summary of the Advisor's business continuity plan will be made available to any client upon written request.

**Appendix 1 - Privacy Policy** Advisor collects personal financial information about clients from the following sources:

- Information received from the client during the investment advisory process, through conversations and correspondence, and
- Information about the client's transactions with independent money managers or broker-dealers who may manage the client's assets or effect securities transactions on the client's behalf.

We do not disclose any personal financial information about clients to anyone, except with such client's consent or as required or permitted by law. As permitted by law, we may disclose some or all of the information we collect to independent parties that service clients' accounts in order to provide services requested by such clients. These service providers may include broker-dealers, banks, and security clearing agencies; and others who provide services to us, parties who provide technical support for our systems and our legal and accounting professionals, as well as government agencies and other parties.