

Item I: Cover Page

Securities & Exchange Commission Form ADV, Part II (Firm Brochure)

March 31, 2011
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This brochure provides information about the qualifications and business practices of Athena Investment Management. If you have any questions about the contents of this brochure, please contact us at 626-449-2211. 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.

Additional information about Athena Investment Management also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

This brochure contains no material changes to Athena Investment Management's last annual update dated March 30, 2010.

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Item 4: Nature of Advisory Business

Athena Investment Management is an independent investment advisory firm managing securities portfolios for individual and institutional clients. Its owner and sole principal is Jack E. Andrews III. He has owned the business since June 30, 1995. The business was founded in 1977 in Pasadena, California by Jack E. Andrews Jr.

Athena Investment Management provides comprehensive investment advisory and management services. These include: Preparing and executing a suitable investment plan for each client; providing clear progress reports on a regular basis; advising and facilitating account creation, funding and distributions to optimize tax considerations and to resolve estate matters; maintaining and distributing records necessary for tax filings associated with investment accounts; and maintaining an open dialogue with clients in order to adjust planning as necessary.

Client portfolios are managed with the objective of achieving the maximum, long-term, after-tax total return possible given the client's income and liquidity needs, risk tolerance, time horizon, and tax considerations. Client portfolios are managed individually and are not commingled. There are similarities across accounts, particularly in security selection, as, when building portfolios of domestic large-cap stocks, Athena focuses on a distinct universe of 100 companies. Similarly, among mutual funds, there is a strong tendency for clients to hold similar funds which meet key criteria for performance, volatility, cost, availability, etc. The exact mixture of securities held in each portfolio, however, is determined by the investment allocation plan specific to that portfolio, which is in turn determined by that client's risk tolerance and the specific portfolio's investment horizon and cash flow projections. Individual client preferences regarding specific securities or industries to be avoided or emphasized are accommodated if and when they are not considered to detract materially from prospects for long-term, risk-adjusted performance.

As of 12/31/10, assets under management totaled \$113.8 million. Of this total, Athena Investment Management had discretionary authority to execute trades over \$110.3 million in assets and did not have discretionary authority over \$3.5 million in assets under management.

Athena Investment Management does not participate in any wrap fee programs.

Item 5: Performance Based Fees

Athena Investment Management does not charge or accept any performance-based fees.

Item 6: Fees and Compensation

Advisory fees are determined on a percentage of assets under management basis and billed quarterly, after services are rendered. For billing purposes, assets under management are calculated as the average of the beginning and ending values, with a weighted average method employed when large additions or withdrawals occur during the billing period. Athena's management fee rises as assets increase, but declines as a percentage of assets under management, according to the following schedule:

- 1.00% per year of total assets under management up to \$250,000.
- 0.75% per year of assets under management from \$250,000 to \$500,000.
- 0.50% per year of assets under management from \$500,000 to \$1,000,000.
- 0.25% per year of assets under management from \$1,000,000 to \$5,000,000.
- 0.167% per year of assets under management from \$5,000,000 to \$10,000,000.
- 0.10% per year of assets under management over \$10,000,000.

Other client fees may differ due to prior negotiations.

Client fees are either billed directly to the client or can be deducted directly from one or more of the client's investment accounts if this authority is granted by the client.

Other investment costs, such as brokerage transaction charges or mutual fund operating expenses, are also borne by the client. This is discussed further in Item 12: Brokerage Practices,

Client fees are always billed after each quarterly billing period, never before or during.

No one at or directly affiliated with Athena Investment Management ever receives compensation for the sale or placement of any security or investment product in any client account.

Item 7: Types of Clients

Athena manages portfolios for individual and institutional clients. Account types include individual, high-net-worth individual, joint tenants, trust, IRAs, pension and profit-sharing, 401Ks, educational saving accounts, variable annuity accounts, and charitable foundations. Athena can manage investment accounts held in virtually any title, as long as the account holder, trustee, custodian, or entity, has the power to assign a limited power of attorney to a 3rd party investment manager.

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

Athena employs a relative value approach when investing in individual equity securities. An estimate of future earnings is maintained for all securities in the AIM universe of 100 companies. These projections are compared with current market prices to determine price to projected earnings ratios for all individual equities. These ratios are then compared with the price to estimated earnings ratio for the Dow Jones Industrial Average as a whole. Companies with better prospects for growth and/or less risk are considered worthy of purchase at higher relative price-earnings ratios than companies with weaker prospects and/or greater risk. When comparing different classes of equities, such as small-cap vs. large-cap or domestic vs. international, price-earnings ratios for these equity groups are compared against each other and against historic trends. When comparing asset classes in total, such as stocks vs. bonds, in order to set current allocation targets between these two asset classes, the inverse of the price-earnings ratio, the “earnings yield”, is compared with current rates of interest on highly secured bonds; typically, the benchmark 10-year US Treasury note. In all cases, quantitative models are used only as a guide and as a means to spur additional inquiry. Final investment and allocation decisions are always reserved for the portfolio manager.

To incorporate additional views on the investment world, Athena hosts a quarterly teleconference with other investment professionals. The members of this “Investment Policy Advisory Committee” are Athena’s principal, Jack E. Andrews III, and two other Registered Investment Advisors: Paul Balson, principal of Balson Capital Management, and Stephen Bache, principal of Bache Capital Management. The Committee reviews the outlook for the economy and financial markets and Mr. Andrews shares with the Committee the allocation guidelines being applied to Athena client accounts of different types and industry group weightings for domestic equity securities relative to the S&P 500. Vigorous feedback is encouraged, but is not binding. Messrs. Balson and Bache are not empowered to make investment decisions on behalf of Athena Clients and individual client identities are never disclosed. Committee participation is completely voluntary and non-compensatory.

Athena Investment Management recognizes that any individual security has the potential to lose all or a large portion of its value. Therefore, carefully monitoring total allocations to any one security or entity is the primary risk-management tool employed. Athena does not generally hedge positions by purchasing derivative securities designed to perform directly counter to securities already owned. Rather, to mitigate broader portfolio risks, allocations between industry groups and across broader equity classes (domestic vs. international and large-cap vs. small-cap stocks) are carefully monitored to ensure adequate diversification. Athena Investment Management believes that attempts to render equities or any investment riskless are inherently misleading.

Athena Investment Management would not generally be considered an active trader. After portfolios are initially constructed, turnover rates are very small by industry standards, on the order of 5% to 20% for most clients.

Athena Investment Management believes that the investment markets are generally rather efficient, meaning that market prices usually do a decent job of reflecting future return vs. risk dynamics. One result of this belief is that index funds are used for certain assets classes for certain clients, particularly those with smaller accounts. At the same time, we believe that conditions do prevail periodically, for individual securities or for broader asset classes, that lead them to be seriously under or overpriced by the market as a whole. For this reason, we do employ what is commonly referred to as “tactical” asset management, meaning that allocation targets for equities, fixed-income securities of various duration, or equity sub-sectors, are not held static, but are adjusted as estimations change for future rewards vs. risks.

Additional, specific, Investment Policy Guidelines are as follows:

Investment Policy Guidelines

1. The most important decision regarding the investment of liquid assets is: How should the investments be distributed between stocks and interest earning investments? Certain formulas are used as a guide to whether equity or fixed-income allocations should be increased or decreased. One of these formulas is an adaptation of Graham’s “Central Value” method, which compares available yields to maturity on fixed-income securities against projected earnings yields on equities. In addition, portfolio distribution is a regular item for discussion on the agenda of Athena’s Investment Policy Committee.
2. Stock portfolios should be constructed from a defined universe, diversified across industry groups, and regularly evaluated to determine issues that are relatively undervalued, fairly valued or overvalued based on fundamental data.
3. Stock portfolios should consist of high-quality, dividend-paying stocks from the AIM universe. Investment in equities not rated B+ or better by Standard & Poor’s or that do not pay a dividend should be restricted to 5% of total portfolios.
4. Portfolios should be diversified. Over 7½% of portfolios in any one issue may trigger sales of that issue. Over 15% of portfolios in any one industry may trigger sales of stocks within that industry.
5. There may be justification for paying a higher price in relation to earnings for demonstrated growth, but a price/earnings multiple of over 1½ times the projected DJIA multiple indicates high risk.
6. Fixed-income portfolios should be constructed of investment grade issues with a defined maturity and/or call dates. Additional time to maturity adds risk. The average maturity on interest earning investments should generally be restricted to ten years or less.
7. When new assets are placed under Athena’s management, or when changing client circumstances dictate adjustments to allocation strategy, prescribed changes should be described in writing and implemented over a defined period of time.

8. Taxes, trading costs and fund operating expenses can be a material detriment to portfolio performance and should always be taken into consideration when restructuring new or existing assets and when selecting between individual securities or mutual funds.
9. Clear and consistent reporting establishes transparency and improves understanding, enhancing the probability of successful client outcomes. A necessary component is performance reporting on a total return basis net of management fees, brokerage commissions, and any other expenses.

Item 9: Disciplinary Information

Neither Athena Investment Management, nor its current principal, Jack E. Andrews III, nor any current or former principals or employees, have ever been the subject of a disciplinary or legal event.

Item 10: Other Financial Industry Activities and Affiliations

Athena Investment Management has no financial relationship with any other firm. No funds are ever exchanged for referrals or recommendations.

Athena maintains a professional, non-financial relationship with two other registered investment advisors: Paul Balson, principal of Balson Capital Management, and Stephen Bache, principal of Bache Capital Management. Mr. Balson and Mr. Bache serve voluntarily and without compensation on Athena's Investment Policy Advisory Committee as described in Item 8 above. Additional information about Mr. Balson and Mr. Bache can be found in Item 19 below.

Item 11: Code of Ethics

Pursuant to SEC rule 204A-1 Athena Investment Management maintains a Code of Ethics. The Code's core tenants are: 1) Put client interests first at all times. 2) Recognize existing conflicts of interest and actively consider potential conflicts of interest before investment decisions or recommendations are made. Take active steps to eliminate conflicts, avoid them, or, if unavoidable, report them to clients. 3) Seek at all times to build trust over the long term with clients by reporting and communicating accurately and comprehensively and by taking responsibility for and correcting errors when/if they are made in any aspect of our management.

A copy of Athena Investment Management's Code of Ethics is available upon request.

Athena manages the investment portfolio of its principal, Jack E. Andrews III, as well as those of certain related parties. In all cases, accounts of related parties are treated identically to those of non-related parties. This is managed through the quantitative prioritization of account

reviews based on client deviations from asset allocation targets. In circumstances when a particular security is sold across all accounts, order entry proceeds from positions of greatest percentage weight to least percentage weight.

Item 12: Brokerage Practices

Athena does recommend brokers. Factors considered are: 1) Estimated total cost of managing the client's account(s) at that firm in the most effective manner; 2) Products or services offered with particular value for specific clients. Commissions considered reasonable are those that are the lowest or very near the lowest available among "discount" brokers with a comprehensive offering of products and services.

Research services received from brokers through whom Athena effects securities transactions are not requested, occasional, usually immaterial, applied, if material, to all client accounts, and not a factor when recommending brokers.

Certain firms provide services that make it easier for Athena to execute its portfolio management services for clients. Examples of these services include bundled transactional capability, bond or mutual fund screening tools, account information downloads, and enhanced telephone and internet support. Services such as these are a consideration only to the extent such firm's commission rates are comparable to the lowest possible rates available among all brokers. Athena Investment Management recognizes the potential conflict of interest that could arise from over-concentration of client assets at any one firm and actively maintains familiarity with systems and platforms from a variety of discount brokers to mitigate this possibility.

Athena clients at times have a material personal preference for a broker or firm. In this circumstance, an effort is made to negotiate commission discounts such that the client's commission rates will be as close as possible to the lowest available. In cases where the client is unwilling to consider changing brokers, or faces unusual obstacles to changing brokers such that their willingness to make a change is circumscribed, Athena's ability to successfully negotiate sufficiently low commission rates is limited. Clients are made aware of this fact, when it occurs.

Athena Investment Management does not accept referrals from brokers as this represents a material conflict of interest which is impossible to offset. Athena does not accept soft-dollar inducements, such as free "educational" trips or recreational outings, in exchange for movement, or encouraged movement, of client assets.

Because client portfolios are managed individually, circumstances where trades are aggregated are rare. Where possible, however, particularly when purchasing bonds, Athena will aggregate orders to satisfy minimum purchase amounts or to lower transaction costs as long as the securities purchased meet other conditions of suitability for all accounts involved.

Item 13: Review of Accounts

Client accounts are reviewed regularly by the portfolio manager, Jack E. Andrews III. Accounts are reviewed monthly at a minimum. Portfolios are priced and deviations from target allocations computed daily. Additional account reviews are conducted daily, prioritized by percentage deviation between actual and target allocations for each portfolio.

Computer-prepared portfolio valuations are mailed to clients quarterly along with a letter from the President of Athena Investment Management, Jack E. Andrews III. Schedules of capital gains and losses, projected taxable investment income, and other data pertinent to tax filings are mailed to clients during the first quarter of each year.

Item 14: Client Referrals and Other Compensation

Athena Investment Management does not provide compensation of any form to any party for client referrals. Athena does not receive compensation of any form from any party for the referral to that party of Athena clients for any form of business.

Item 15: Custody

Athena does not have or take custody of client assets at any time with the sole exception being where clients have agreed to have an investment account billed directly by Athena for portfolio management services.

All client accounts are held with 3rd party custodians from whom clients receive account statements either monthly or quarterly, either in the U.S. mail or electronically. Clients are urged to carefully review these statements and compare them with the reports they receive from Athena Investment Management.

Item 16: Investment Discretion

Athena has discretionary authority over most client accounts. The only exceptions are accounts where Athena's role is restricted to preparing reports, providing general guidance directly to the client, and factoring these assets into a broader investment program including other, discretionary accounts. Discretionary authority is established by the client's signature on Athena Investment Management's Investment Advisory Agreement and Limited Power of Attorney. Separate authority is also established with the client's brokerage firm with their own, in-house limited power of attorney document.

Item 17: Voting Client Securities

Pursuant to SEC rule 204(4)-6, Athena Investment Management maintains a Proxy Voting Policy. This policy outlines procedures in three areas: Voting client proxies; making decisions required in response to corporate reorganizations, and filing claims in class action lawsuits. In all matters, Athena performs as a fiduciary and acts as it would were it or its principal the owner of the securities in question. Upon request, clients may obtain a copy of Athena's Proxy Voting Policy and/or view a record of how some or all of their proxies have been voted.

Some brokerage firms do not allow for Athena to vote proxies on its clients' behalf. In these cases, or in cases where clients have not granted to Athena this authority, clients will receive proxies and corporate reorganization materials directly from owned companies and are welcome to contact Athena with any questions they may have.

Item 18: Financial Information

Athena does not require prepayment of its management fees and therefore is not required to post its most recent fiscal year balance sheet with this filing. Athena Investment Management is in sound financial condition with no risk of disruption or impairment of client services for the foreseeable future. Athena Investment Management has never been the subject of a bankruptcy petition.

Item 19: Additional Information, Principals and "Management Persons"

The owner and sole principal of Athena Investment Management is Jack E. Andrews III:

Jack E. Andrews III, born in 1961, received his Bachelor of Arts in Economics from the University of California, Berkeley in 1983 and teaching credentials in mathematics and social science from San Francisco State University in 1987. He joined Athena Investment Management as a research associate in September 1990 and became a member of its Investment Policy Committee in 1991. He became Vice President and Assistant Portfolio Manager in 1992 and received his Chartered Financial Analysts (CFA) designation in 1993. In July, 1995 Mr. Andrews became President of Athena Investment Management and Chief Portfolio Manager.

Mr. Andrews does not engage in any business activity outside of his role at Athena Investment Management and receives no compensation outside of that from Athena Investment Management. He has not been the subject of any legal or regulatory actions and has never been the subject of an arbitration proceeding or bankruptcy petition.

The additional members of Athena's Investment Policy Advisory Committee are:

Stephen K. Bache, born in 1957, has been President and Chief Investment Officer of Bache Capital Management since 2001. He received his B.A. in History from Yale University in 1979 and his M.B.A. from Columbia University in 1984. He began his professional career as a securities analyst with Mario Gabelli in 1982 before joining Transamerica as a portfolio manager in 1984. Mr. Bache continued his education, earning his Chartered Financial Analyst designation, in 1990, and his M.A. in European Economic History from UCLA in 1993. He formed Yosemite Asset Management in 1989 before joining the firm of Hamilton Read, Inc. in 1991. He served as Vice-President and Chief Investment Officer of Hamilton & Bache, the successor company, from 1992 thru 2000.

Paul J. Balson, born in 1967, has served as President and Chief Portfolio Manager of Balson Capital Management in Marina Del Rey, California, since it was founded in 2001. From 1999-2000, Mr. Balson was a Financial Consultant for SalomonSmithBarney. Mr. Balson is a magna cum laude graduate of Harvard University, A.B. in English, 1989. In 2001, he received his designation in Personal Financial Planning from UCLA Extension's Department of Business and Management.