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**Firm Brochure**  
(Part 2A of Form ADV)

This brochure provides information about the qualifications and business practices of High Desert Investment Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at: 505-797-2644, or by email at: [info@highdesertadvisors.net](mailto:info@highdesertadvisors.net). 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 High Desert Investment Advisors, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

March 2011

## Material Changes

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### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

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### **Material Changes since the Last Update**

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization.

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### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 505-797-2644 or by email at: [info@highdesertadvisors.net](mailto:info@highdesertadvisors.net).

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# Advisory Business

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## Firm Description

High Desert Investment Advisors, LLC ("High Desert") was founded in 2003.

High Desert provides personalized confidential financial planning and investment management to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and small businesses. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning.

High Desert and its advisors also sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. We do not directly or indirectly compensate for client referrals.

Investment advice is provided, with the client making the final decision on investment selection. High Desert does not act as a custodian of client assets. The client always maintains asset control.

A written evaluation of each client's initial situation is provided to the client, often in the form of a net worth statement. Periodic reviews are also communicated to provide reminders of the specific courses of action that need to be taken. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

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## Principal Owners

Richard Brackett is the sole managing member.

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## Types of Advisory Services

High Desert provides investment supervisory services, also known as asset management services. On more than an occasional basis, High Desert furnishes advice to clients on matters not involving securities, such as financial planning matters, taxation issues, and trust services that often include estate planning.

As of March 1, 2011, High Desert manages approximately \$50 million in assets for approximately 100 households on a non-discretionary basis.

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## Tailored Relationships

The goals and objectives for each client are documented in our client relationship management system. Investment policy statements are created

that reflect the stated goals and objectives. Clients may impose restrictions on investing in certain securities or types of securities.

Agreements may not be assigned without client consent.

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### **Types of Agreements**

The following agreements define the typical client relationships:

- Financial planning agreement
- Investment Advisory agreement

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### **Financial Planning Agreement**

A financial plan is designed to help the client with all aspects of financial planning without ongoing investment management after the financial plan is completed.

The financial plan may include, but is not limited to: a net worth statement; a cash flow statement; a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; strategic tax planning; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes, if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

Detailed investment advice and specific recommendations are provided as part of a financial plan. Implementation of the recommendations is at the discretion of the client. High Desert or its advisors may receive additional compensation in the form of commissions when implementing recommendations in your financial plan.

The fee for a financial plan is predicated upon the facts known at the start of the engagement. The hourly fee is \$150.00 and is negotiable. Since financial planning is a discovery process, situations occur wherein the client is unaware of certain financial exposures or predicaments.

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### **Investment Advisory Agreement**

Most clients choose to have High Desert manage their assets in order to obtain ongoing in-depth advice and life planning. All aspects of the client's financial affairs are reviewed, including those of their children. Realistic and measurable goals are set and objectives to reach those goals are defined. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis.

The scope of work and fee for an Advisory Service Agreement is provided to the client in writing prior to the start of the relationship. An Advisory Service Agreement includes: cash flow management; insurance review; investment management (including performance reporting); education planning;

retirement planning; estate planning; and tax preparation, as well as the implementation of recommendations within each area.

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**Asset Management**

Assets are invested in stocks, bonds, agency securities, real estate investment trusts ("REITS"), multiple limited partnerships ("MLPS"), commodities, options, variable annuities, variable life insurance, no-load or low-load mutual funds and exchange-traded funds. Some of these investment vehicles are purchased and sold through brokers who typically charge a fee for each transaction. Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Insurance companies charge fees called mortality and expense fees for annuities and insurance. Discount brokerages may charge a transaction fee for the purchase of some funds.

High Desert or its advisors may also be paid a commission on the sales of variable life, variable annuities, long-term care insurance or mutual funds.

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**Termination of Agreement**

A Client may terminate any of the aforementioned agreements at any time by notifying High Desert in writing and paying the rate for the time spent on the investment advisory engagement prior to notification of termination

High Desert may terminate any of the aforementioned agreements at any time by notifying the client in writing.

## **Fees and Compensation**

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**Description**

High Desert bases its fees on a percentage of assets under management, and hourly fees

Financial plans are priced according to the degree of complexity associated with the client's situation.



The annual Advisory Service Agreement fee is based on a percentage of the investable assets according to the following schedule:

**Equity/Fixed Income Portfolio**

<b><u>Assets Under Management</u></b>	<b><u>Equities Fee</u></b>	<b><u>Fixed Income Fee</u></b>
\$0 - \$100,000	1.50%	0.50%
\$100,001 - \$200,000	1.25%	0.50%
\$200,001 - \$1,000,000	1.00%	0.45%
\$1,000,001 - \$5,000,000	0.75%	0.35%
Over \$5,000,000	0.50%	0.25%

**Fixed Income Only Portfolio**

<b><u>Assets Under Management</u></b>	<b><u>Fixed Income Fee</u></b>
\$0 - \$500,000	0.50%
\$500,001 - \$1,500,000	0.45%
\$1,500,001 - \$5,000,000	0.35%
\$5,000,001 - \$20,000,000	0.25%
Over \$20,000,000	negotiable

The first fee schedule applies to client's whose portfolio may include equities and fixed income securities. The second fee schedule applies to clients whose portfolio is restricted to fixed income securities.

All fees are negotiable. Current client relationships may exist where the fees are higher or lower than the fee schedule above.

Although the Advisory Service Agreement is an ongoing agreement and constant adjustments are required, the length of service to the client is at the client's discretion. The client or the investment manager may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

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## **Fee Billing**

Investment management fees are billed quarterly, in arrears, meaning that we invoice you after the three-month billing period has ended. The fee is based on the value and composition of the portfolio as of the last trading day of the prior quarter. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

Fees for financial plans are due upon delivery of the plan. If the financial planning becomes an investment management client, the fee charged for the financial plan is credited against future investment management fees

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## **Other Fees**

Custodians may charge transaction fees on purchases or sales of certain mutual funds, exchange-traded funds, options, stocks and bonds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security. See the section of this brochure entitled "Brokerage Practices".

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 1.00 means that the mutual fund company charges 1.00% for their services. These fees are in addition to the fees paid by you to High Desert.

For variable annuities and variable life insurance, insurance companies will charge mortality and expense fees as well as other fees for riders and added features. These fees are in addition to the fees paid by you to High Desert.

Persons associated with High Desert can also be compensated from the sale of securities and insurance products that may be recommended in your financial plan. This presents a conflict of interest and gives these persons an incentive to recommend investment products based on the compensation received, rather than your needs. This conflict will be disclosed to you when these other products are discussed. Of course, you have the option to purchase investment and insurance products from other brokers or agents that are not affiliated with High Desert.

## **Performance-Based Fees**

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### **Sharing of Capital Gains**

High Desert does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

## Types of Clients

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### Description

High Desert generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, or charitable organizations, corporations or business entities.

Client relationships vary in scope and length of service.

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### Account Minimums

The minimum account size is \$100,000 of assets under management. However, High Desert has the discretion to waive the account minimum.

## Methods of Analysis, Investment Strategies and Risk of Loss

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### Methods of Analysis

Security analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis.

The main sources of information include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

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### Investment Strategies

Typically, portfolios are managed to meet the following goals: 1) preservation of capital; 2) control of minimum volatility; 3) growth; 4) guaranteed and predictable cash flows, and 5) diversification for the purpose of volatility management and risk management.

Investment management typically begins with an assessment of the client's goals and income needs by means of a long term cash flow analysis. Preservation of capital has the first place in our list of priorities. Our strategy is not a "buy and hold" strategy. We use both fundamental and technical models for determining when the stock market is in a long term trend - trending up or trending down. When the stock market is trending up, as measured by our models, we recommend investing in equities. When the stock market is trending down, we recommend liquidating all equities (stocks, mutual funds, etc) - or alternatively, hedging those investments with options. Our goal is to maximize growth potential for those clients who desire such growth and who are willing to accept greater risk - more volatility. Most of our clients, however, prefer us to manage their investments in order to achieve steady and predictable growth. The corollary to this is to minimize volatility.

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## **Risk of Loss**

All investment programs have certain risks, including the risk of loss, that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## Disciplinary Information

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### Legal and Disciplinary

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

## Other Financial Industry Activities and Affiliations

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### Financial Industry Activities

High Desert is not registered as a securities broker-dealer, or a futures commission merchant, commodity pool operator or commodity trading advisor.

### Affiliations

High Desert has arrangements that are material to its advisory or its clients with a related person who is a broker-dealer and insurance agent. High Desert or its advisors may receive commissions on insurance or investment products that are also a part of your managed portfolio or that are recommended in your financial plan.

## Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

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### Code of Ethics

The employees of High Desert have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

### Participation or Interest in Client Transactions

High Desert and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the High Desert *Compliance Manual*.

### Personal Trading

The Chief Compliance Officer of High Desert is Richard Brackett. He reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Since most employee trades are small mutual fund trades or exchange-traded fund trades, the trades do not affect the securities markets.

## Brokerage Practices

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### Selecting Brokerage Firms

High Desert recommends TD Ameritrade as your qualified custodian. High Desert recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

You may also select your own custodian. If you select your own custodian, you may be charged fees that are higher than other custodians and High Desert cannot ensure best execution in the handling of your transactions.

High Desert does not receive fees or commissions from any of these arrangements.

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### Best Execution

High Desert reviews the execution of trades at each custodian each quarter. The review is documented in the High Desert *Compliance Manual*. Trading fees charged by the custodians is also reviewed on a quarterly basis. High Desert does not receive any portion of the trading fees.

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### Soft Dollars

High Desert does not receive soft dollar benefits from the custodians whom we recommend to clients.

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## Review of Accounts

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### Periodic Reviews

Account reviews are performed annually by Richard Brackett. Account reviews are performed more frequently when market conditions dictate.

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### Review Triggers

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

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### Regular Reports

Clients receive periodic communications on at least an annual basis. The written updates may include a net worth statement, portfolio statement, and a summary of objectives and progress towards meeting those objectives. The qualified custodian sends the client a statement of activity and values at least every quarter

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## **Client Referrals and Other Compensation**

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### **Incoming Referrals**

High Desert has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

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### **Referrals Out**

High Desert does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

## **Custody**

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### **Custody of Client Assets**

All client assets are held by a qualified custodian, usually TD Ameritrade. However, High Desert directly debits your management fees from your account. You gave us authority to do this in the Investment Advisory Agreement that you signed.

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### **Account Statements**

All assets are held at qualified custodians, which means the custodians provide account statements directly to clients at their address of record at least quarterly. You should carefully review these statements.

## **Investment Discretion**

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### **Discretionary Authority for Trading**

High Desert does not have discretionary authority over client accounts. This means that we consult with the client prior to each trade to obtain concurrence.

The client approves the custodian to be used and the commission rates paid to the custodian. High Desert does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

## **Voting Client Securities**

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### **Proxy Voting**

High Desert does not vote proxies on securities. Clients are expected to vote their own proxies. Clients will receive proxies and other solicitations directly from the qualified custodian.

When assistance on voting proxies is requested, High Desert will provide recommendations to the Client. If a conflict of interest exists, it will be disclosed to the Client.

## **Financial Information**

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### **Financial Condition**

High Desert does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because High Desert does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

## **Business Continuity Plan**

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### **General**

High Desert has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

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### **Disasters**

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

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### **Alternate Offices**

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

## **Information Security Program**

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### **Information Security**

High Desert maintains an information security program to reduce the risk that your personal and confidential information may be breached.



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## Privacy Notice

High Desert is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. We use this information to help you meet your personal financial goals.

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this *Privacy Notice* to you annually, in writing.

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**Brochure Supplement**  
(Part 2B of Form ADV)

This brochure supplement provides information about Richard Brackett and Iris Brackett that supplements the High Desert Investment Advisors, LLC brochure. You should have received a copy of that brochure. Please contact Richard Brackett if you did not receive High Desert's brochure or if you have questions about the contents of this supplement.

March 2011

## Brochure Supplement (Part 2B of Form ADV)

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### Education and Business Standards

High Desert requires that advisors in its employ have a bachelor's degree and further coursework demonstrating knowledge of financial planning and tax planning. Examples of acceptable coursework include: an MBA, a CFP®, a CFA, a ChFC, JD, CTFA, EA or CPA. Additionally, advisors must have work experience that demonstrates their aptitude for financial planning and investment management.

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### Richard Brackett

#### Educational Background:

- Date of birth: 1940
- Institutions:
  - Michigan State University – Bachelor of Arts - History – 1962
  - University of Chicago – Masters Business Administration - 1981
  - IIT University – Chicago – Bachelor of Science – Aerospace Engineering - 1991

#### Business Experience:

- President and Investment Advisor – High Desert Investment Advisors – 2003 to present

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None

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### Iris Brackett

#### Educational Background:

- Date of birth: 1943
- Institutions:
  - Northwestern University – Bachelor of Science – 1964
  - University of Illinois – Masters Degree - 1972

#### Business Experience:

- Registered Representative – The Leaders Group – 2008 to present
- Investment Advisor – High Desert Investment Advisors – 2008 to present
- Financial Advisor – UBS Securities – 2000 to 2008

Disciplinary Information: none

Other Business Activities:

Iris Brackett is also a registered representative with The Leaders Group. While acting as an investment advisor with High Desert, she may develop a financial plan for a client. Then, while acting as a registered representative, she may receive commissions from implementing recommendations in the financial plan. These conflicts will be disclosed to you when she is acting as a registered representative.

Additional Compensation: None

Supervision:

Iris Brackett is supervised by Richard Brackett, President. He reviews Iris Brackett's work through frequent office interactions.

Richard Brackett's contact information:

PHONE: 505-797-2644

EMAIL: rbrackett@newmexico.com