

Guerra Investment Advisors  
Disclosure Brochure  
03/21/2011

*Item 1 – Cover Page*

This brochure provides information about the qualifications and business practices of Guerra Investment Advisors (“GIA” or “Advisor”) and each of its individual advisors..

If you have any questions about the contents of this brochure, please contact us at (915) 760-5551 or [info@reguerraco.com](mailto:info@reguerraco.com).

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.

Guerra Investment Advisors is a Registered Investment Advisor. Registration as an Investment Advisor does not imply any level of skill or training. Investment Advisors do have the fiduciary duty to put the needs of clients before their own, unlike the duty of a broker dealer or a Registered Representative. This disclosure document is designed to grant current clients as well as potential clients the opportunity to carefully read and establish an understanding of the various investment advisory services that are offered and the respective fees and expenses of those services. The information contained in this document is important to the conduct of both parties entering an advisory contract. While investment advisors have a fiduciary duty to put the needs of clients before their own, clients likewise have a duty to investigate and maintain a basic understanding of the services offered by the Advisor. We hope this document serves as a leading educational tool to aid clients and prospective clients in understanding how Guerra Investment Advisors conducts investment advisory services.

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## *Item 2- Material Changes*

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to disclosure brochure” which amends the disclosure document that we provide to clients as required by investment advisor regulation. This brochure dated March 15<sup>th</sup> 2011 is a new document prepared in accordance with the general rules and guidelines issued in that report.

As such, this document is materially different in structure and requires certain new information that our previous ADV Part II and Schedule F disclosure documents did not require.

In the future, this portion of the brochure will discuss specific material changes that are made to the brochure and provide clients with a summary of such changes to this and subsequent brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

Additional information about Guerra Investment Advisors is also available via the SEC web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC web site also provides information about any persons affiliated with Guerra Investment Advisors who are registered as investment adviser representatives of GIA.

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#### *Item 4 – Advisory Business*

The Ruben E. Guerra Company, LLC, dba Guerra Investment Advisors, was formed in January of 2006 and is a company organized in the State of Texas. Ruben E. Guerra is the President. Guerra Investment Advisors was registered with the SEC in 2010, but is in the process of transitioning that registration to the State of Texas.

Guerra Investment Advisors provides “fee for service” financial planning and investment advice. Areas of advice include asset allocation, investment selection, retirement planning, college funding and employee benefits and qualified plan subaccount analysis. Engagements are limited in scope based on the client’s unique circumstances.

The Advisor gathers financial data including the client’s goals, circumstances, financial condition and risk tolerance. The adviser then prepares and delivers analysis and recommendations to the client. Recommendations may be in a written/electronic format, or in the form of verbal (in-person or phone) discussion, or both.

Clients engage Guerra Investment Advisors on a “pay as you go” basis. The services a client receives are dependent upon the individual needs and requests by the client, but often times the services rendered are continuous and on-going. The investment management services provided by Guerra Investment Advisors often involve investment modeling where trades are conducted with the use of Advisor discretion. The Advisor performs “active” management investment in accordance with pre-described/defined goals and risk tolerances provided by the client. When discretionary authority has been given to Guerra Investment Advisors, GIA is allowed to “take action” without first receiving additional approval from the client. The “action” is limited to purchases and/or sales of securities (Stocks/Bonds/Mutual Funds/ETFs...), but does not allow the Advisor to move funds between accounts or transfer assets from the account. All transactions occur at a qualified custodian that produces statements. These statements may be produced monthly, but must be produced at least quarterly and contain the basic account value and holdings of the managed accounts along with listing the activity that occurs within the account(s) being managed by GIA. The statement provided by the custodian will also contain the advisory fee charged by GIA. Fees charged by GIA are separate from the fees charged by Mutual Funds and other investment companies. Therefore, GIA recommends consulting the Mutual Fund prospectus for more information about their fees.

GIA may utilize long term buy and hold services that do not involve active management of client accounts. Clients may choose an asset allocation process that are is managed by GIA that is less active. If services are selected that do not entail discretionary authority, then clients are free to implement all, some, or none of the Advisor’s recommendations and the full responsibility of implementation rests with the client.

### *Item 5 – Fees and Compensation*

Fees are charged on a “pay as you go” basis. Fees are negotiable and may vary from client to client. Fees are quoted in advance and must be accepted by client prior to project commencement or investment management. Executing a signature on the client agreement or paying a partial/full payment of fee acknowledges acceptance by client.

Guerra Investment Advisors negotiation of investment management fees are based on one or more of the following factors:

- The number of accounts, positions, account objectives, risk tolerances and restrictions requested by the client
- The estimated amount of time expended in researching, analyzing and documenting the specific recommendation(s) and course(s) of action.
- The requests of each client regarding follow up and forms of communication requested
- The familiarity (or lack thereof) between GIA and the client based on experience and client interaction
- A competitive analysis of other advisory firm’s fees
- The total amount of assets requested to be managed

Client agrees to supply Guerra Investment Advisors with the ability to deduct fees from the account(s) on a quarterly basis. This fee deduction process will occur in arrears of service provided and will be accompanied by a quarterly fee notification that will be supplied to the client and evidenced on the account statement produced by the qualified custodian. Quarterly fees are based on the ending value of securities on the last day of the quarter.

The following is an example of how a quarterly fee is calculated:

\$800,000.00 value of assets under management on the last day of the quarter at an annual fee of 1.5% would render the following quarterly bill.

1.5% annual fee divided by 4 individual quarterly periods = 0.00375

$\$800,000.00 \times 0.00375 = \$3000.00$  Fee for the quarter

Advisory fees are calculated, and billed quarterly, in arrears. Annual percentages applied will not exceed 2.00%, but are subject to change, and are negotiable based upon particular facts and circumstances of a client and the extent of advisory services anticipated. Clients may simply have the fees debited directly from client's accounts as stated in the Client Services Agreement or may pay fees by check.

Discretionary Transactions are directed by GIA for accounts that have a limited discretionary authority agreement. Clients who choose to provide GIA with discretion have empowered GIA to buy and sell securities without the client's prior notification. Clients may, by contract, place restrictions on GIA's discretionary authority. GIA may act as the investment advisory client's representative in the execution of securities transactions on a normal and customary basis. The use of a registered broker/dealer for such transactions is at the client's complete discretion. Advisory clients are under no obligation to effect any portfolio transaction with or through GIA or any broker-dealer and may at any time direct that portfolio transactions be effected with or through any appropriately licensed securities broker-dealer or registered representative.

Guerra Investment Advisors has no direct relationship with any specific custodian or brokerage firm and receives no commission compensation from TD Ameritrade Institutional with regard to client transactions. The platform at TD Ameritrade Institutional is a quality, low fee, low ticket charge, brokerage option that has been a good fit for investment management services.

Guerra Investment Advisors management programs are not considered "wrap fee program" in that clients are responsible for paying any and all transaction costs, including, but not limited to customary ticket charges, postage and service fees and annual maintenance fees that may be issued by the custodians. The Client or Advisor may terminate the advisory agreement at any time upon thirty (30) days written notice.

#### *Hourly Charges and Fixed Fees Charged by Advisor*

Advisor provides investment planning services consistent with individual client's financial and tax statues, risk tolerance and investment objectives. Fees are billed at a negotiated rate between the parties. Hourly fees usually range from \$200 to a maximum rate of \$400 per hour. The client may make structured payments with a portion of the fees paid up-front and the remainder of payments made upon completion of the service(s). These services may also be negotiated as a fixed fee. These options are available in the client agreement. Planning fees are usually debited directly from accounts managed by Advisor, but may also be paid by check. Unless otherwise stated, client agreements are for a period of one year and are automatically renewed each year. The Client or Advisor may terminate the advisory agreement at any time upon thirty (30) days written notice. There is no provision for refunds when services have been rendered.

In certain instances, depending upon the client's needs and the services to be performed by the Advisor, the advisory fee may be based upon individual negotiations with the client. In such instances, the fee is stipulated and agreed upon in the advisory contract.

#### *Item 6 – Performance-Based Fees and Side-by-Side Management*

Guerra Investment Advisors does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

### *Item 7 – Types of Client*

Guerra Investment Advisors takes an active approach to managing the types of clients that are accepted by the firm. The clients that Guerra Investment Advisors currently choose to work with are often “main street” every day people. There are some clients that have high net worth and would be considered “accredited” investors (individual net worth of any natural person, or joint net worth with the spouse of that person, at the time of purchase, is more than \$1,000,000 [as such amount is adjusted periodically by rule of the Commission], excluding the value of the primary residence of such natural person.) In addition to working with individuals, GIA also conducts business with Foundations, Trusts and Corporate Clients. However, Guerra Investment Advisors does not impose any account limits or restrictions for maintaining or managing an account. The firm requires clients to disclose current financial status and investment objectives to the Advisor at the time of opening an investment account. These documents are updated as needed. Clients are requested to inform the Advisor in writing whenever the client has experienced a significant change in financial status or condition or wishes to change investment objectives.

GIA’s clientele could be categorized as individuals, businesses, foundations and trusts. The services offered to each may vary and is largely dependent upon the client’s unique circumstances. Guerra Investment Advisors has each client execute an independent agreement and each agreement offers services separately to each individual client.

### *Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss*

If Advisor is engaged to provide Investment advice, the client’s current financial situation, needs, goals, objectives and risk tolerance are first evaluated. Asset allocation and security selection decisions are made accordingly. The model portfolios are often comprised of multiple asset categories and sectors and have the ability to perform multiple styles of asset allocation including ranges from 100% equity exposure to 100% cash exposure. Investment overlap and diversification are key components to the investment portfolio design.

There are risks involved by investing in securities. It is the client’s responsibility to read and review the monthly/quarterly statements and provide feedback as to their comfort or lack thereof with the then current asset allocation of their individual portfolio(s). Our method of investing is “active”, so allocation will change periodically. Therefore, we recommend establishing an electronic access in order to review account activity.

### *Item 9 – Disciplinary Information*

Registered Investment Advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to one's evaluation of Guerra Investment Advisors or the integrity of GIA's management (and each supervised person providing investment advice). Guerra Investment Advisors has no information applicable to this item regarding the firm or its principal owner and advisor, Ruben E. Guerra, nor the rest of the Investment Advisory Representative (IAR) staff.

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

Guerra Investment Advisors does not have other industry activities or affiliations, but some of the Investment Advisor Representatives who are registered with Guerra Investment Advisors also serve on numerous not-for-profit organizations and as the investment managers to foundations and endowments. Many IARs of Guerra also hold life insurance licenses which may generate commissions with regard to the sale of insurance products.

Guerra Investment Advisors tries to segregate its investment advisory business from its insurance commission business. This is often achieved by utilizing custodial platforms such as TD Ameritrade Institutional. When accounts are opened at TD Ameritrade they are handled strictly on a fee basis. All mutual fund securities trades at TD Ameritrade are conducted at net-asset-value (NAV), which means no commissions can be generated or received by the Advisor. Additionally, commissions called trail commissions or 12b-1 fees are not paid to the Advisor under the TD Ameritrade custodial platform. So, the TD Ameritrade platform is a fee only program. However, if ETFs or equity securities are bought or sold on the TD Ameritrade platform, a trading fee is customarily charged. Those charges are levied by TD Ameritrade and IARs do not share in any portion of the ticket charges to execute transactions through TD Ameritrade.

### *Item 11 – Code of Ethics*

Guerra Investment Advisors has created a code of ethics that is designed to help educate and monitor the business conduct of our office staff. The code emphasizes the firm's fiduciary duty to clients and produces a heavy burden on the staff to maintain client confidentiality. A copy of the code of ethics is available to clients or prospective clients upon request.

Ruben E. Guerra or other employees of Guerra Investment Advisors may occasionally buy or sell securities for their own accounts. The firm may or may not recommend these securities to clients since recommendations vary according to an individual client's specific needs and circumstances.

Should an employee become aware of any non-public information regarding a security, it is the firm's policy that the employees not act on such information for his/her own benefit or for the benefit of



clients and report the information to Guerra Investment Advisors management (and the proper regulatory authorities, if warranted).

#### *Item 12 – Brokerage Practices*

Guerra Investment Advisors may recommend brokerage platforms based on trading and technology, the depth and breadth of services, the customer service responsiveness and brokerage transaction costs and best execution records. Currently, Guerra Investment Advisors recommend the TD Ameritrade Institutional platform as its main brokerage/custodian. Such recommendation is based on the history and experience that Guerra Investment Advisors has established with TD Ameritrade, but also due to the continued industry leadership and best execution practices they display in ongoing performance.

#### *Item 13 – Review of Accounts*

The reviews of client accounts in the Guerra Investment Advisors program are performed periodically and/or at least quarterly. These reviews will encompass performance evaluation, asset allocation analysis and customer suitability review. The triggering factors for evaluation may include, but are not limited to: change in product composition, change in market condition, change in management philosophy, change in client's financial condition, and any other change of which client appraises the Advisor. Levels of review include: summary review of account statements; in-depth review of statements, objectives and current performance. IARs conduct the review process. The client may be invited to attend a detailed review involving a meeting to discuss any and all related investment strategy and/or future planning.

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

Guerra Investment Advisors does not often enter into referral/solicitor agreements. At current, there are no relationships where GIA compensates another individual for client referrals.

#### *Item 15 – Custody*

In 2010, the Securities Exchange Commission (SEC) adopted amendments to Rule 206(4)-2 (the “Custody Rule”) under the Investment Advisers Act of 1940 (the “Advisers Act”) which governs custody arrangements for registered investment advisers. Prior to that amendment GIA, due to various “No Action” letters and safe harbor provisions issued by the SEC, was deemed to not have custody of client funds. However, after the amendment in 2010, the billing practices of Guerra Investment Advisors are now considered to create a form of custody since advisory fees can be deducted directly from client accounts. This form of custody is very limited. Guerra Investment Advisors is not permitted to take control of any client assets or transfer client assets to or from a client’s account unless directed or authorized by the client to do so. GIA does not take possession of client securities or assets. They are

held at places like TD Ameritrade Institutional that meet the standards and requirements that include providing statements to all clients that reflect their securities activity during a given quarter.

Guerra Investment Advisors is not affiliated with any custodial services and is “operationally independent” from any custodian that generates statements for clients. As such, Guerra Investment Advisors merely performs the calculation of the fees and supplies that information to the custodian, who in-turn debits the fee and reports the activity on the statement. While the act of debiting the fee directly from the client account meets the new definition of custody as amended by the SEC in their 2010 amendment notice for rule 206(4)-2 under the Investment Advisers Act of 1940; the SEC carved out a provision in the rule change that exempted firms from an annual surprise audit on its books and records, if they merely met the definition of having custody due to the ability to deduct the fee from the client(s) account. The basic provisions for the exemption that Guerra Investment Advisors and its members adhere to are:

- Maintain accounts at a “qualified custodian”, institutions to which clients and advisers customarily turn for custodial services.
- Those custodians are subject to regulations and oversight.
- Guerra Investment Advisors maintains a reasonable belief that the qualified custodians send statements directly to advisory clients.

These requirements are designed so that advisory clients will receive a statement from the qualified custodian and have the opportunity to compare and contrast with any statements or other information they receive from their advisor to determine whether account transactions, including deductions to pay advisory fees, are proper. While Guerra Investment Advisors provides individual account assessments for clients on a quarterly basis, GIA is operationally independent from TD Ameritrade Institutional and other custodians. As such, we urge clients to compare the documentation provided directly from Guerra Investment Advisors to the statements provided from the independent custodians.

#### *Item 16 – Investment Discretion*

Guerra Investment Advisors develops active investment management portfolios. The most efficient way to execute this kind of modeling technology is through the use of discretionary authority to place trades prior to receiving instruction or confirmation from each client. The discretionary authority granted to Guerra Investment Advisors when a client enters the client agreement is limited. The authority limits the discretion to purchases and sales within the account. Guerra Investment Advisors members have no authority to transfer assets to or from accounts, other than when deducting fees on a quarterly basis. Therefore, the discretion is limited and may be canceled by the client at any time. However, the cancelation of the discretionary authority would likely necessitate the client being removed from the active management program.

### *Item 17 – Voting Client Securities*

Guerra Investment Advisors does not vote proxies on behalf of clients. The proxies are sent from the custodian or Investment Company directly to the client's address of record. The client is welcome to vote proxies as they see fit. Guerra Investment Advisors does not make recommendations as to how or for whom to vote.

### *Item 18 – Financial Information*

Registered Investment Advisors are required in this item to provide you with certain financial information or disclosures about GIA's financial condition. Guerra Investment Advisors has no financial commitment that impairs its ability to meet its financial obligations and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

### *Item 19 – Requirements for State-Registered Advisers*

If this disclosure brochure was not delivered to the client at least 48 hours prior to the client entering into any written or oral advisory agreement with this investment advisor, then the client has the right to terminate the agreement without penalty within five business days after entering into the agreement. For the purposes of this provision, an agreement is considered entered into when all parties to the agreement have signed the agreement, or in the case of an oral agreement otherwise signified their acceptance.

### *Item 20 – Educational Background and Business Experience*

Ruben E. Guerra--dob 9/27/1950

University of Texas at El Paso, El Paso, TX 1974 Bachelor of Science

Business Background --The Ruben E. Guerra Company, LLC. He began in the securities business in 1987 with EF Hutton and later managed an office for Paine Webber. He holds a Series 65 and a Group I Insurance license.

Susan J. Guerra --dob 1/5/1950

University of Texas, Austin, TX 1988 Master of Science

University of Oklahoma, Norman, OK Bachelor of Science

Business Background --The Ruben E. Guerra Company, LLC, since 2004. The majority of her career was spent in the field of health & human services. She holds a Series 65 and an Insurance license.

Jason T. Beaver --dob 4/23/1975

Northwood University, 2009, Bachelor of Business Administration

Jason holds a Series 65 license. He began his career in the financial services industry in 2006 after spending 10 years in the automobile business, with the majority of his time as the finance manager of the dealership.

*Supervision conducted internally at Guerra Investment Advisors*

Ruben Guerra is the Chief Compliance Officer and is responsible for monitoring the daily activities and work produced by the IARs and employees of Guerra Investment Advisors. He works closely with the office staff conducting routine checks and balances. These compliance reviews are often conducted throughout the normal course of daily business, but some are more formal, such as the end of year annual audit and various other compliance meetings conducted with and by the broker/dealer. Ruben is responsible for maintaining the code of ethics and other regulatory requirements.

Any potential issue regarding advice, service or processes of Guerra Investment Advisors should be brought to the attention of the Chief Compliance Officer. This enables Guerra Investment Advisors to be aware of the situation early in the review process and allows Ruben to take an active role in rectifying any problem or misunderstanding and resolving any potential conflict. Ruben maintains an “open door” policy and welcomes face-to-face meetings and direct phone contact. These are the best means of communication for dialog about any issues that may need to be addressed. Relationships tend to breakdown when there is a lack of communication and Ruben strives to keep the lines of communication open for both positive and negative feedback from clients.

*Item 21 – Other Business Activities*

Guerra Investment Advisors is a registered investment advisor and its sole responsibility is offering fee based investment advice. However, Investment Advisor Representatives (IARs) who are individuals registered with Guerra Investment Advisors have multiple business activities that are material to the securities industry. Many of the IARs registered with Guerra Investment Advisors are also licensed insurance agents.

This outside business affiliation allows those registered representatives to receive fees on various insurance sales. As such, an inherent conflict of interest may exist. When working with an IAR member of Guerra Investment Advisors we encourage our clients to ask about the different kinds of compensation that might be made with regard to offering investment advice. While the vast majority of business conducted from this office is performed as fee based advice under GIA, there are times when insurance products are suitable and warranted. However, the client has the right to place that insurance business through another licensed agent outside of the GIA employee network. If client opts to place the insurance with a member of GIA, the GIA member will likely receive compensation in connection with the insurance transaction.

## *Item 22 – Additional Compensation*

As disclosed in previous sections, additional compensation can be earned by members of GIA. Such compensation could include commissions from the purchase insurance products, and income from outside business activities. Additionally, members of Guerra Investment Advisors could be invited to due diligence meetings at the request of investment companies or other industry organizations. As a company policy, we do not accept such invitations.

Guerra Investment Advisors can directly compensate persons for client referrals in accordance with such written agreements as may be entered into between GIA and persons who may solicit. Such agreements between GIA and any solicitor must be disclosed to any prospective advisory client. When a solicitor arrangement has been formed and a client referral has been made, Guerra Investment Advisors will present the client a Disclosure Statement that informs the client that a payment or multiple payments may be made to the solicitor introducing the client to GIA. The compensation paid by GIA for client solicitations and referrals may include cash payments or, where appropriate, provision for percentage-based fee sharing. GIA does not currently have solicitor relationships.

To further emphasize, accounts that are held at TD Ameritrade Institutional do not allow for any commission payments of any kind to be paid to Guerra Investment Advisors or any of its direct members. These accounts are fee based advisory accounts. The only compensation derived from TD Ameritrade accounts are the quarterly fees that are evidenced on each quarterly statement provided to the client directly from TD Ameritrade.

## *Item 23 – Privacy Policy*

In order to facilitate the servicing of your account, the Advisor may receive nonpublic personal information about you from the following sources:

- Information we receive from you on questionnaires, applications, account opening documents or other forms;
- Information about your transactions with us or others;
- Information we receive from a consumer reporting agency; and
- Information we received from other sources with your consent.

We do not disclose any nonpublic personal information about you to anyone, except as permitted by law. Such disclosure may include the following:

- Disclosures to affiliates, including affiliated service providers (for example, insurance agencies for processing of variable insurance applications on your behalf);
- Disclosures to your chosen broker-dealer firm (for example, to establish a brokerage account on your behalf);
- Disclosures to government agencies, securities regulators and law enforcement officials (for example, for tax reporting, under a court order or to protect our legal rights);

- Disclosures to other organizations, with your consent (for example, other investment advisor firms in order to open a managed account with their firm or the brokerage firm they utilize); and
- Disclosures to other persons you authorize to obtain such information (for example, a CPA who will be preparing your tax return).

The Advisor restricts access to your personal and account information to those of its employees who need to know that information to provide products or services to you. The Advisor maintains physical, electronic, and procedural safeguards to guard your nonpublic personal information.

We will continue to adhere to the privacy policies and practices as described in this notice if you decide to close your account(s) or become an inactive customer.

If you have any questions concerning the Advisor's privacy policies and procedures, please feel free to contact us. Thank you.

Ruben E. Guerra,  
President