

Southwest Investment Advisors, Inc.

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This brochure provides information about the qualifications and business practices of Southwest Investment Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at the telephone number and/or e-mail address above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.

Southwest Investment Advisors, Inc. is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The verbal and written communications of an investment adviser provide you with information you need to determine whether to hire or retain the adviser.

Additional information about Southwest Investment Advisors, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov. The Firm CRD number is 312685.

Please contact us at (520) 544-2500 or rick@siatucson.com if you would like a copy of our updated Part 2. Additional information about us is also available on the SEC's website at www.adviserinfo.sec.gov .
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ITEM 2: MATERIAL CHANGES

The Adviser is making this initial filing to disclose the change of ownership in the form of a “Succession Filing” as required by the SEC. Because this is the initial filing of the Adviser, there are no material changes to report in this brochure. Details regarding the new ownership can be found on Form ADV Part 1A, accessible to clients at www.adviserinfo.sec.gov, and in Item 4 below.

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ITEM 4: ADVISORY BUSINESS

Who we are

Southwest Investment Advisors, Inc. ("SIA") is a corporation organized in Arizona. SIA is newly registering to succeed to the business of the existing company of the same name. The predecessor, being acquired in its entirety has been registered as an investment advisor since August 2001. Richard Zich is President and Chief Compliance Officer of SIA.

Services we offer

We will review an individual's portfolio that they want to continue to manage themselves for an hourly rate or flat fee or we will manage an individual's investments on a discretionary basis for a fee based on a percentage of assets under management. Our investment management style is to use asset allocation following the principals of Modern Portfolio Theory (MPT). We generally utilize packaged investment vehicles such as mutual funds, unit investment trusts, closed end funds, and ETFs for a majority of client holdings. We will utilize individual Government, Corporate and Municipal Bonds when a situation warrants the use of such investments. Less frequently, we may also recommend or utilize other securities, such as individual stocks, annuities and alternative investments, to complement a client's portfolio

We spend time up front learning about the clients, their objectives (i.e. retirement, college, home purchase, etc.) and utilize a questionnaire to assist in assessing a client's risk tolerance. We then use this information to determine the asset mix that best matches the client's objectives and risk tolerance. We may also use this information to draft a retirement plan forecast.

We allow clients to impose restrictions on the investments we make, as long as the restrictions don't limit our ability to manage the account within the parameters of our asset allocation models. However, if the client selects a specific security, it is the client's responsibility to monitor that security.

Southwest Investment Advisors Wrap Program

We act as the sponsor and portfolio manager to the Southwest Investment Advisors Wrap Program ("Wrap Program"). In this instance, we are considered to be the sponsor of the Wrap Program because you pay one fee which includes all advisory fees and transaction costs. We provide all portfolio management services and receive all compensation for the wrap program. The majority of clients who receive Investment Management services as described above are part of the Wrap Program. Paying fees as part of a Wrap Program could cost you more or less than purchasing investment management and brokerage services separately. If you elect to direct us to use a broker/dealer other than LPL Financial LLC you will not participate in the Wrap Program and are responsible for paying all transaction costs related to trades placed in your account.

Assets under management

\We manage assets of \$ 167,507,626 on a discretionary basis. We do not manage assets on a non-discretionary basis.

ITEM 5: FEES AND COMPENSATION

Advisory Fees & Billing Practices

Fees for investment management services are calculated as a percentage of assets under management. These fees are billed quarterly in advance, based on the assets under management as of the last day of the previous calendar quarter. Our fee schedule is:

<u>Account Type</u> *	<u>Fee</u>
Unlimited: Individual equities, bonds, mutual funds and ETFs	1.50%
Limited: Mutual Funds, bonds and ETFs	1.25%

* Unlimited and limited refer only to the category of investments held in an account, not the quantity or dollar amount.

All fees are to be considered negotiable based on total assets under management.

In order to deduct our fees directly from your investment account, we are required to receive authorization from you. Please note the following important information about the deduction of management fees:

- We have entered into an agreement with LPL to calculate the fees according to our agreement with you, then direct debit the fee from your account on Southwest's behalf. You must provide authorization for this in Southwest's agreement, as well as in your paperwork with LPL.
- You will receive a statement from your custodian which shows your holdings and the amount of fees deducted from your account.
- You are responsible for reviewing the accuracy of the fees being billed, as the custodian will not do so.

In certain circumstances, we may allow you to pay by check rather than having payment deducted directly from your account.

If you would like to end our advisory relationship, you may do so by providing 5 days written notice. We will prorate the advisory fees received through the termination date and send you a refund of the prepaid, unearned portion of your fee. We process refund payments within 30 days of the termination date and will refund your investment account. Upon entering into the advisory relationship, your advisory fee will be prorated for the remaining portion of the quarter and debited from your account.

Other Costs Involved

In addition to our advisory fee shown above, you are responsible for paying fees associated with investing for your account. These fees include:

- mutual fund loads (if applicable). These charges are paid to brokers as a form of commission.
- management fees for ETFs and mutual funds. These are fees charged by the managers of the ETF or mutual fund and are a portion of the expenses of the ETF or mutual fund.

- loads and fees for UITs, REITs and variable annuities.

Additional information about brokerage costs and services is provided in “Item 12: Brokerage Practices.”

We believe the fees mentioned above are competitive; however you may be able to obtain similar services from other sources at a lower price.

Flat/Hourly fees

We will review a client’s portfolio that we do not manage for a flat or hourly fee. Generally our hourly rate is \$150 per hour, after the first hour which is charged at \$200. Our flat fees range from \$300-\$1,000, depending on the complexity of the review. An invoice will be presented upon completion of services, and is due upon receipt. Payment for these services must be made by check.

Conflicts of Interest

Our officers and some employees are also registered representatives of LPL Financial LLC (“LPL”), an unaffiliated broker/dealer and FINRA and SIPC member firm. As registered representatives, these individuals receive commissions for executing trades for their clients at LPL. For mutual fund investments, registered representatives also receive trailing commissions in unmanaged (brokerage) accounts. Trailing commissions are fees the mutual fund pays to the registered representative each year that you own that mutual fund. If you decide to use LPL to implement any recommendations we make in our capacity as registered representatives, our officers and employees will receive commissions for those trades. Under no circumstances do our officers and employees earn trailing commissions on positions held in managed accounts. Whether we act as an investment adviser or as a registered representative, we are fiduciaries to our clients.

Most of our officers and investment personnel are also insurance agents registered with various insurance agencies, and as such sell insurance products. They may recommend insurance products to clients and may receive commissions for such sales if a client elects to purchase such products through these individuals in their capacity as insurance agent. The insurance products sold are transacted with a variety of insurance companies on a commission basis.

In these situations, a conflict of interest exists between your interests and those of SIA.

You are under no obligation to implement investment, financial planning or insurance recommendations through LPL. If you do elect to use LPL, you are under no obligation to choose one of our officers or employees as your registered representative. Commissions paid to LPL may be higher or lower than other broker/dealers who provide similar services.

Clients are under no obligation to purchase or apply for any insurance, or to use any investment personnel of SIA as the broker for insurance products purchased.

Commissions are the primary compensation of our officers and employees who are registered representatives of LPL. We reduce our advisory fees to offset any securities or insurance commissions earned.

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

We do not receive performance fees for managing accounts.

ITEM 7: TYPES OF CLIENTS

The majority of our services are with individuals, which includes the living trusts of individuals. We also provide investment advice to pension plans.

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

Our investment management style is to use asset allocation following the principals of Modern Portfolio Theory (MPT). We have five portfolio allocations that range from most conservative (what we refer to as "capital preservation") to most aggressive (what we refer to as "aggressive growth"). We utilize packaged investment vehicles such as mutual funds, unit investment trusts, closed end funds, and ETFs for a majority of client holdings. Our goal is to find and use funds that fit each major investment category (i.e. LargeCap Growth, LargeCap Value, etc.) with little to no style drift and allocate clients investment funds to these categories in accordance with portfolio allocation selected for them. We do not make tactical investments on the equity side of the portfolio, however, we will make tactical investments when we deem appropriate on the fixed income side. We will also utilize individual Government, Corporate and Municipal Bonds when a situation warrants the use of such investments.

Our investment strategy involves investment risks. We do not believe our asset allocation portfolios expose clients to significant or unusual risks, in fact, our goal in using asset allocation is to reduce risks to clients. Additionally, in certain cases, target percentage of our asset allocation portfolios may not be reached. Every effort will be made to adhere to the initial target allocations, but adherence cannot be assured.

The material risks associated with mutual funds, in addition to normal market risks, is in the management of the fund, whether it be in the form of severe style drift, a manager leaving the fund, or excessive turnover resulting in higher trading costs. The material risks associated with Unit Investment Trusts and ETFs are primarily normal market risks as these investments are typically fixed portfolios with a low fee structure.

All investments involve different degrees of risk. You should be aware of your risk tolerance level and financial situations at all times. We cannot guarantee the successful performance of an investment and we are expressly prohibited from guaranteeing accounts against losses arising from market conditions.

ITEM 9: DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose any material facts regarding any legal or disciplinary actions that would be material to your evaluation of the investment adviser and each investment adviser representative providing investment advice to you. We have no information of this type to report.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Our principals and some employees are registered representatives of LPL, which is an unaffiliated broker/dealer. Please refer to the “Conflicts of Interest” section in “Item 5: Fees and Compensation” for additional disclosures about this relationship.

As discussed previously, certain associated persons of the SIA are registered representatives of LPL Financial. As a result of this relationship, LPL Financial may have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about SIA clients, even if client does not establish any account through LPL. If you would like a copy of the LPL Financial privacy policy, please contact Richard Zich.

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

Code of Ethics

We have adopted a set of enforceable guidelines (Code of Ethics), which governs the conduct by which SIA and our associated persons are required to abide. Summarized, this Code of Ethics prohibits us from:

- placing our interests before yours,
- using non public information gathered when providing services to you for our own gains, or
- engaging in any act, practice or course of business that is, or might be considered, fraudulent, deceptive, manipulative, or in violation of any applicable law, rule or regulation of a governmental agency.

Please contact us if you would like to receive a full copy of our Code of Ethics.

Personal Trading for Associated Persons

We may buy or sell some of the same securities for you that we already hold in our personal account. We may also buy for our personal account some of the same securities that you already hold in your account. It is our policy not to permit our associated persons (or their immediate relatives) to trade in a way that takes advantage of price movements caused by your transactions.

We may restrict trading for a particular security for our accounts or those of our associated person if there is a pending trade in that security in a client account. Trades for our accounts (and those of our associated persons) will be placed after client trades have been completed. When our trades are placed after our client trades, we may receive a better or worse price than that received by the client.

SIA and its associated persons may purchase or sell specific securities for their own account based on personal investment considerations without regard to whether the purchase or sale of such security is appropriate for clients.

All persons associated with us are required to report all personal securities transactions to us quarterly.

ITEM 12: BROKERAGE PRACTICES

Selection of Brokers

We recommend that our management clients open a brokerage account with LPL. Due to our relationship with LPL, we are unable to execute trades through other broker/dealers. Not all advisers require their clients to use a particular broker-dealer or other custodian selected by the adviser. Please refer to the “Conflicts of Interest” section of Item 5 for additional information.

Aggregation of Orders

Typically, due to the nature of how we conduct business, we do not aggregate trades. The only difference that might occur when we aggregate trades is that participating clients receive the same price. Our broker does not discount trading costs for the number of shares traded. Most of the trades we place are in securities that are valued on a daily basis rather than at the time of the trade. For these securities there is no advantage in aggregation because they trade at the same price. Trades in securities that are valued at the time of the trade are executed for accounts for which we do not have discretionary authority. These trades will be placed as soon as we receive permission from the account holder. It will happen that one client will receive a better price for these trades than other clients do.

Soft Dollars

“Soft dollars” are typically generated when an investment adviser enters into an agreement with an executing broker to receive a portion of the commissions generated by the adviser’s client trades. The soft dollars are allocated to the investment adviser and can then be used to purchase items or services. The investment adviser has a fiduciary duty to its clients to obtain best execution, on an overall basis, for any securities transactions.

We do not use soft dollars as described above. The SEC recently changed the wording of certain questions on the Form ADV and has indirectly changed the definition of soft dollars. Due to the new wording, the receipt of goods and/or services from a third party in connection with providing advice to clients could be seen as “soft dollars.” The additional services we receive from LPL, as disclosed in Item 14 below, would fall under this description of soft dollars.

Brokerage Practices

We receive an economic benefit from LPL in the form of the support products and services it makes available to us and other independent investment advisers whose clients maintain their accounts at LPL, at no additional cost. The availability of LPL’s products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Some of the services LPL makes available to us benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts. These products and services include software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts.
- Provide pricing and other market data

- Facilitate payment of our fees from our clients' accounts

LPL generally does not charge you separately for custody services. They are usually compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through them or that settle into their accounts.

Southwest Investment Advisors has received from LPL Financial upfront transition payments in order to assist SIA with transitioning its business onto the LPL Financial custodial platform. These funds may be used, but not necessarily limited to, offsetting things like ACAT fees, technology set-up fees, marketing and mailing costs, stationery and licensure transfer fees. This presents a conflict of interest in that SIA has a financial incentive to recommend that you maintain your account with LPL Financial. However, to the extent SIA recommends you use LPL Financial for such services, it is because SIA believes that it is in your best interest to do so based on the quality and pricing of the execution, benefits of an integrated platform for brokerage and advisory accounts, and other services provided by LPL Financial.

Our receipt of the foregoing economic benefits from LPL raise potential conflicts of interest. Our receipt of these services does not diminish our duty to act as fiduciaries in your best interest.

ITEM 13: REVIEW OF ACCOUNTS

Portfolio and investment objective/risk tolerance are reviewed for each client at least annually. These reviews may be performed by any of our investment personnel listed below:

- Alexandra Kusler, Financial Advisor, Portfolio Manager
- Richard Zich, President, Chief Compliance Officer
- J. Barton Schannep, Financial Advisor

Each client's retirement plan forecast is periodically reviewed and updated. Typically a change in the client's life situation will trigger a review. Reviews will be performed by the individuals listed above.

Clients receive annual reports which contain information about the performance of their investment portfolio in dollar and percentage terms.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

We receive an economic benefit from LPL in the form of the support products and services it makes available to us and other independent investment advisers whose clients maintain their accounts at LPL, at no additional cost. The availability of LPL's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Some of the services LPL makes available to us benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. These products and services include software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts (see Aggregation of Orders in Item 12, above).

- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts

SIA received an economic benefit from LPL Financial in the form of transition payments. Please see detailed discussion of the potential conflicts of interest in Item 12 Brokerage Practices.

We do not provide compensation for client referrals however SIA does pay to advertise its services on an industry listing service. SIA subscribes to an advertising service called SmartVestors Pro, offered by a company run by Dave Ramsey ("Ramsey") an internet investment personality and provider of consumer investment educational tools and information. Ramsey offers a listing service for investment professionals like SIA. Potential investors who were directed to SIA from the Ramsey website or any related promotional materials are hereby informed that SIA pays a flat monthly fee to Ramsey for exposure to interested consumers in Tucson AZ and North San Diego CA. SIA's participation in the SmartVestors Pro service is not an indication of any level of training or expertise by SIA. Consumers learning about SIA as a result of the SmartVestors Pro listing service should carefully review this document, SIA's Form ADV Part 1A online, and/or conduct independent inquiry before hiring SIA as an investment adviser.

ITEM 15: CUSTODY

We do not take possession of your funds and securities. The assets in your managed account will always be in the custody of a qualified custodian LPL Financial LLC.

However if you give us authority to deduct our fees directly from your managed account, we meet the definition of having custody of those assets. In order to avoid additional regulatory requirements in these cases, we follow the procedures outlined in "Item 5: Fees and Compensation." You will also receive quarterly statements directly from custodian of the account that details all transactions in the account.

ITEM 16: INVESTMENT DISCRETION

When you elect to have us manage your portfolio on a discretionary basis, i.e. allow us to place trades on your behalf without having to obtain your approval first, you'll have to choose LPL as your broker/dealer and complete the "Investment Management Agreement – Discretionary" to authorize us to place trades on your behalf.

ITEM 17: VOTING CLIENT SECURITIES

We do not accept the authority to vote proxies on your behalf and cannot provide guidance about how to vote a specific proxy solicitation. You will receive proxies and other related paperwork directly from the custodian of your account.

ITEM 18: FINANCIAL INFORMATION

We do not charge or solicit pre-payment of more than \$500 in fees per client six months or more in advance. We have never filed for bankruptcy and are not aware of any financial conditions that are reasonably likely to impair our ability to meet our contractual obligations to clients.