

## Strategic Portfolio Advisors

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### FORM ADV, PART II Disclosure Brochure

Pursuant to the so-called “brochure rule,” Strategic Portfolio Advisors (hereinafter referred to as SPA) periodically updates Form ADV, Part II. This rule requires that SPA provide a written document containing the information contained in Form ADV, Part II, to all clients with whom the firm enters into an investment advisory or investment management contract. SPA must deliver this document to a client or prospective client:

- a) not less than 48 hours prior to executing a contract with SPA, or
- b) at the time of executing such contract, in which case the client has the right to terminate the contract with SPA within five business days without penalty.
- c) offer a copy annually thereafter

In fact, clients may cancel a contract with SPA at any time, without penalty, upon the firm’s receipt of written notification from the client.

Part II of Form ADV contains information relating to SPA’s business. This information includes types of services offered, fees, types of clients served, types of investments generally recommended, methods of analysis, strategies employed, information sources consulted, educational and business backgrounds of management employees, participation in connection with client transactions, conditions for managing accounts, the nature of discretionary authority, the process for reviewing accounts, brokers used, and the allocation of brokerage commissions.

The information contained herein relates only to specific questions to which the relevant regulatory agencies request answers. The document is not, and is not intended to be, a marketing brochure, nor is it designed to provide detailed information about all aspects of SPA’s business. This update takes effect March 31, 2012 and does not include material changes from the 2011 brochure. Part I of form ADV is available upon request.

**This brochure provides information about the qualifications and business practices of SPA. If you have any questions about the contents of this brochure, please contact us at 702-460-3358 and/or draatz1@cox.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. As we represent ourselves as a Registered Investment Advisor, such registration implies no specific level of skill or training.**

# Table of Contents

<b>Material Changes</b> .....	1
Annual Update March 31, 2012 .....	1
Material Changes Since the Last Update.....	1
Full Brochure Available.....	1
<b>Advisory Services</b> .....	5
Firm Description .....	5
Principal Owners .....	5
Types of Advisory Services .....	5
Tailored Relationships.....	5
Types of Agreements.....	5
Financial Planning Agreement.....	5
Advisory Service Agreement .....	5
Hourly Agreement .....	5
Asset Management .....	5
Termination of Agreement .....	5
<b>Fees and Compensation</b> .....	5-6
Description .....	5-6
Billing Process.....	6
Other Fees .....	6
Mutual Fund Management Fees.....	6
Termination of Agreements .....	6
Performance Based Fees .....	6
Sharing of Capital Gains.....	6
<b>Types of Clients, Types of Securities</b> .....	6
Description .....	6
Account Minimums .....	6
<b>Methods of Analysis, Investment Strategies and Risk of Loss</b> .....	7
Methods of Analysis .....	7
Investment Strategies .....	7
Risk of Loss .....	7

<b>Disciplinary Information .....</b>	<b>7</b>
Legal and Disciplinary .....	7
<b>Other Financial Industry Activities and Affiliations .....</b>	<b>7</b>
Financial Industry Activities .....	7
<b>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....</b>	<b>7</b>
Code of Ethics .....	7
Participation or Interest in Client Transactions .....	7
Personal Trading .....	7
<b>Brokerage Practices .....</b>	<b>7</b>
Selecting Brokerage Firms .....	8
Best Execution .....	8
Order Aggregation .....	8
<b>Review of Accounts .....</b>	<b>8</b>
Periodic Reviews .....	8
Review Triggers .....	8
Regular Reports .....	8
<b>Client Referrals and Other Compensation .....</b>	<b>8-9</b>
Incoming Referrals .....	8-9
Referrals Out .....	9
Other Compensation .....	9
<b>Custody .....</b>	<b>9</b>
Account Statements .....	9
Performance Reports .....	9
Net Worth Statements .....	9
<b>Investment Discretion .....</b>	<b>9</b>
Discretionary Authority for Trading.....	9
<b>Voting Securities.....</b>	<b>10</b>
Proxy Votes .....	10
<b>Financial Information .....</b>	<b>10</b>

<b>Business Continuity Plan .....</b>	<b>10</b>
General .....	10
Disasters .....	10
Alternate Offices .....	10
Loss of Key Personnel .....	10
<b>Information Security Program .....</b>	<b>10</b>
Information Security .....	10
Privacy Notice .....	10
<b>Brochure Supplement (Part 2B of Form ADV) .....</b>	<b>10-11</b>
Education and Business Standards.....	10-11
Professional Certifications .....	11
Education and Business Background .....	11

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### **Advisory Services**

Strategic Portfolio Advisors' was established April 1, 2003 by Donald J. Raatz (CRD #1058325) who is managing member and chief compliance officer of the firm. Mr. Raatz owns one hundred (100%) percent of the equity of the firm. The firm is not publicly owned or traded. There are no indirect owners of the firm or intermediaries who have any ownership interest in the firm. As of December 31, 2011 the firm managed assets on a non-discretionary basis of \$79,870,000 in 271 accounts.

The principal business of SPA consists of furnishing "investment advisory services" to clients. This activity includes the provision of continuous advice concerning investment of monies consistent with the circumstances, preferences, and objectives of each client. The investment management process includes an assessment of each client's objectives, needs, restrictions, and portfolio holdings. We attempt to structure each client's investment program in the context of these considerations.

SPA does not manage any accounts on a fully discretionary basis and does not provide investment advice on any other basis than those described above. Clients may impose restrictions on their accounts. The firm does not participate in any wrap programs.

SPA does not issue periodic publications relating to securities on a subscription basis, nor do we prepare for distribution special reports or analyses relating to securities.

SPA does not generally prepare or issue any charts, graphs, formulas, or other devices for use by clients in evaluating securities. We do, occasionally, provide advice on matters not involving securities. We also provide clients, upon request, detailed financial planning.

### **Fees and Compensation**

Advisory fees are charged in three ways as follows:

**Financial Planning** - Client agrees to pay Advisor a fee based upon Advisor's estimate of the total time required at a rate of \$250 per hour. A Minimum Fee and Maximum Fee are determined. One-half of the Minimum Fee will be due upon Client's signing the Engagement Agreement. The remaining fee will be billed to Client upon delivery of Client's plan. In no event, however, shall the total fee exceed the Maximum Fee, or shall the plan not be completed within six months.

**Financial Consultation** - For the rendering of investment advice for specific questions or situations as requested by the Client, the Advisor will bill the Client on an hourly basis at the rate of \$250 per hour.

Investment Advisory Services - Fee for investment advisory services shall be at the following rate:

Total Assets Managed	Fixed Income	Equities/Balanced
\$0 to \$999,999	1.50%	2.50%
Next \$1,000,000 to \$2,999,999	1.00%	1.75%
Next \$3,000,000 to \$10,000,000	0.75%	1.00%
Next \$10,000,000 to \$20,000,000	0.35%	0.45%
Thereafter	0.15%	0.25%

SPA accepts no compensation from any source other than those described above. SPA does not offer performance based fees, share in capital gains, nor do we simultaneously charge an asset management fee as well as an hourly fee (otherwise known as side by side management). Clients will pay custodian commissions for trade executions. Regarding the purchase of mutual funds, even though we attempt to use low cost no-load mutual funds and exchange traded funds whenever possible, clients will also be subject to mutual fund management fees.

#### **Minimum Account Size**

SPA does not generally impose account minimums. The one exception is imposed by TD Ameritrade Institutional which will only refer accounts to SPA only if they exceed \$250,000.

#### **Negotiability of Fees**

SPA's fees are negotiable.

#### **Billing Process**

SPA usually bills client accounts for a given quarter on the first business day following the end of that quarter by applying one fourth of the applicable annual fee to the closing market value on the just-concluded quarter's last trading day. At the request of the client, we can also bill in advance. If this is done and the advisory relationship terminates prior to the end of the quarter, a pro rata share of the advisory fee paid will be returned based on the number of days of the quarter SPA has been engaged. An account billed on the first business day of January, for example, applies one-fourth of the appropriate rate to the account's market value on the last trading day of December. Fees for financial planning or financial consultation are usually billed upon completion of the task but can be billed quarterly. These fees will be debited directly from client's accounts.

We believe the fees described above are reasonable in light of industry standards, the firm's experience and expertise, and the services delivered. Though SPA seeks to set itself apart as a low-cost provider of advisory services, it might be possible for clients to procure similar services elsewhere at lower expense.

#### **Types of Clients**

SPA offers investment advisory services to individuals, trusts, estates, charitable organizations, businesses, and pension plans.

## **Types of Securities**

SPA provides investment advice on the following types of securities: exchange-listed, over-the counter, and foreign-issuer securities; corporate debt securities; municipal securities; United States government securities; mutual fund shares; and options.

## **Methods of Analysis, Sources of Information, Investment Strategies, and Risk of Loss**

SPA uses a combination of technical and fundamental methods to assess risks and opportunities in the capital markets. Fundamental data help us identify companies, industries, and sectors with compelling financial characteristics. Technical data help us identify securities with attractive supply demand characteristics. Throughout our investment process, we review numerous sources of information: financial newspapers and magazines; inspections of corporate activities; research materials prepared by others; corporate rating services; annual reports, prospectuses, and filings with the SEC; and company press releases. All securities possess different risk profiles and commensurate risk of loss.

## **Disciplinary Information**

Neither SPA nor any of its personnel have been involved in any disciplinary proceedings.

## **Other Financial Industry Activities and Affiliations**

Some SPA personnel are licensed to sell life insurance, health insurance, and annuities. Becky Buckley holds the Certified Financial Divorce Financial Analyst and engages in associated activities.

## **Participation or Interest in Client Transactions**

From time to time, SPA's officers invest alongside the firm's clients, both to align the interests of firm personnel and firm clients and as an expression of confidence in our portfolio management efforts. In order to ensure that SPA personnel never "trade ahead" of their clients, the firm requires all trading in specific positions for officer and employee accounts to come *after* the analogous trades are executed for client accounts. Given that the firm may establish (or close) client positions in particular securities over multiple trading days, SPA's prohibition on trading ahead refers not only to intraday sequence but across days as well, sometimes even weeks. Firm personnel communicate freely and frequently among themselves in order to ensure the application of these important restrictions.

The SPA Code of Ethics is straightforward: Do the right thing, always, for every client. This principle implies mutual respect, empathy, and a deep commitment to the firm's fiduciary responsibilities. This code is available upon request.

## **Brokerage Practices**

SPA does not manage client accounts on a discretionary basis.

SPA participates in the TD Ameritrade Institutional program for advisors. The firm has chosen this custodian on the basis of its reasonable, straightforward commission structure, integrity, and financial stability. We believe this choice best addresses our responsibility to obtain the best execution for our clients. Additionally, we may from time to time aggregate large orders. SPA benefits from certain services and information provided to the firm by TDA Institutional, but we do not have discretion as to the commissions our clients pay. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC/NFA. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independently registered investment

advisors services which include custody of securities, trade execution, and clearance and settlement of transactions. SPA receives some benefits from TD Ameritrade through its participation in the program. The Firm may recommend TD Ameritrade to clients for custody and brokerage services. The Firm receives economic benefits through its participation in the program. SPA enjoys access to certain research reports to which we might not otherwise have access. The Firm, through its participation in the program, may receive discounts on compliance, marketing, technology, and practice management products or services provided to SPA by third party vendors. The availability of these benefits is in no way a function of the number or type of trades the firm executes on behalf of its clients. SPA receives no cash benefits or equipment from TD Ameritrade Institutional.

## **Review of Accounts**

Individual accounts are reviewed frequently by the SPA advisor responsible for the account. Certain clients may impose restrictions on their holdings. All accounts are monitored to provide current and comprehensive information concerning account performance, asset allocation, and the progress of individual positions in the portfolio.

Account review is a routine firm function, but it can be triggered or intensified by unexpected performance, shifting market conditions, or changing client preferences or circumstances. In both routine and unusual circumstances, the central purpose of SPA's review process is to ensure that the firm's clients understand both *what* and *how* their accounts are doing. An additional purpose is to ensure the suitability of SPA's investment discipline for all clients.

Clients receive statements at least quarterly for each of their investment advisory accounts. Upon request, clients may receive reports more frequently, and may, in all cases, access comprehensive account information using our custodian's Internet resources. Clients may opt in or out of duplicate confirmations from the trade-executing broker. In addition to these written or formal methods, SPA communicates with clients frequently—by e-mail, postal mail, telephone, and in person—concerning their accounts and personal and financial circumstances.

## **Referrals**

Advisor participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the Program.

As disclosed above, Advisor participates in TD Ameritrade's institutional customer program and Advisor may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Advisor's participation in the program and the investment advice it gives to its Clients, although Advisor receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisor by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Advisor's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Advisor but may not benefit its Client accounts. These products



or services may assist Advisor in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Advisor manage and further develop its business enterprise. The benefits received by Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TD Ameritrade for custody and brokerage services.

Advisor may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, Advisor may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with Advisor and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise Advisor and has no responsibility for Advisor's management of client portfolios or Advisor's other advice or services. Advisor pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to Advisor ("Solicitation Fee"). Advisor will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by Advisor from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Advisor on the recommendation of such referred client. Advisor will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Advisor's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, Advisor may have an incentive to recommend to clients that the assets under management by Advisor be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, Advisor has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Advisor's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

SPA does not receive compensation for outgoing referrals, nor from any other source except as stated above.

### **Custody**

At no time does SPA maintain or accept custody of client assets. TD Ameritrade provides monthly statements from which clients may ascertain account value and net worth information.

### **Investment Discretion**

SPA does not use investment discretion.

## **Voting Client Securities**

SPA does not vote proxies.

## **Financial Information**

SPA does not require or solicit payment of any fee more than \$1,200 more than 6 months in advance.

## **Business Continuity Plan**

SPA maintains a business continuity plan in the event of natural disaster or other business disruption. On April 7, 2004, the Securities and Exchange Commission approved FINRA (Formerly NASD) Rule Series 3500 dealing with emergency preparedness. Rule 3510 requires each member to create and maintain a business continuity plan that identifies procedures relating to an emergency or significant business interruption that are “reasonably designed to enable the member to meet its existing obligations to its customers.”

Strategic Portfolio Advisors’ plan addresses the following areas:

- Data back-up and recovery (hard copy and electronic);
- All mission critical systems;
- Financial and operational assessments;
- Alternate communications between customers and SPA;
- Alternate communications between SPA and its employees;
- Alternate physical location of employees;
- Critical business constituents, banks, and counter-party impact;
- Regulatory reporting;
- Communications with regulators; and
- How the member will assure customers’ prompt access to their funds and securities in the event that the member determines that it is unable to continue its business.

## **Information Security Program**

As required by the Gramm-Leach-Bliley Act of 1999, SPA has adopted policies in order to safeguard the personal information of the firm’s clients, their families, their businesses, and other related entities. This policy, which also applies to former clients, was adopted in part to comply with Regulation S-P as effected by the SEC. SPA takes seriously the security of its client’s information. SPA’s client relationships are deeply personal. We assist our clients with the management of private wealth. As an SPA client, you entrust us with detailed personal information concerning yourself, your family, your investments, your business, and your estate and financial planning. Maintaining the security of confidential client information is a top priority for SPA. All client information is password protected on all personal computers with access. Back up of client information is maintained on Bit Locker encrypted external disk drives.

SPA’s privacy notice explains the firm’s collection, use, retention, and disclosure of information about you and others in your household. A copy of SPA’s privacy notice is available upon request.

## **Education and Business Standards**

SPA requires any officer or employee who determines or gives investment advice to clients to demonstrate clear command of the firm’s investment discipline, its principles and implementation, and its suitability for clients. SPA

takes its fiduciary responsibilities very seriously, and ensures to the maximum possible extent that its professionals meet high standards of financial sophistication as evidenced by education and/or experience.

#### **Education and Business Background**

Donald J. Raatz (born 1951) received a Bachelor of Science degree from Purdue University in 1973. He serves several years in the United States Air Force. Mr. Raatz served as registered representative for Merrill Lynch, Prudential Securities, Continental Capital Investment Services, Berthel Fisher, and Cambridge Investment Research. Mr. Raatz Formed SPA in 2005 and serves as its managing member.

James R. Raatz (born 1951) received a Bachelor of Science degree from Purdue University in 1973 and a Masters in Business Administration from Troy State University in 1978. Mr. Raatz served several years in the United States Air Force. Mr. Raatz served as registered representative with Merrill Lynch, and as Senior Vice President Investments for Prudential Securities, Wachovia, and Wells Fargo. Mr. Raatz serves as an Investment Advisor Representative.

Rebecca A. Buckley (born 1948) received a Bachelor of Science degree from the University of California at Northridge in 1974 and a Masters degree from the University of Nevada Reno in 1976. She served as a registered representative with Prudential Securities and as First Vice President Investments with UBS Securities. She holds the Certified Financial Planner and Certified Financial Divorce Financial Analyst designations and currently serves as an Investment Advisor Representative.