

About Practical Portfolios LLC

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This Disclosure Statement is provided in lieu of the Securities Exchange Commission (SEC) Form ADV Part 2. A copy of Form ADV Part 2 will be provided upon request. This document is also incorporated by reference as part of the *Practical Portfolios LLC Client Agreement*. Please retain this document for your records.

Practical Portfolios LLC

1. Practical Portfolios LLC (“Advisor”, “Our”, “Practical”, “Us”, “We”)

A Wisconsin Limited Liability Corporation registered in 2007.

2. Principal Office and Place of Business

Location: 901 York Street, Manitowoc, WI 54220-4632.

Hour of operation: Monday through Friday, 8:30 am to 5:00 pm.

Phone (920) 682-7680 Fax (920) 482-5650

Primary contact: John E. Cress jccress@practicalportfolios.com

Website: www.practicalportfolios.com

3. Federally Registered Investment Adviser

Practical Portfolios LLC is a *federally registered investment adviser* with the United States Securities and Exchange Commission (SEC File No. 801-67975) because the firm manages client assets in excess of 25 million dollars

4. State Registrations

Practical Portfolios LLC is also a *federally registered investment adviser* in the states of Wisconsin and Illinois due to the number of clients residing in those states.

5. Registrations are Not Endorsements

It is important to note that these registrations with federal and state authorities are not endorsements of Practical Portfolios LLC or its business practices.

6. Ownership Interests

Practical Portfolios LLC is owned by John E. Cress. There are no other direct or indirect ownership interests.

7. Officers and Key Personnel

John E. Cress is the Managing Member, Chief Compliance Officer and Chief Investment Officer of Practical Portfolios LLC

8. Other Financial Industry Activities or Affiliations of Officers

John E. Cress is the owner of Practical Planners, a proprietorship that provides financial planning services and software development services.

9. Education and Business Background of Officers and Key Personnel

A directory of Practical Portfolios LLC Officers and Key Personnel, and their education and business backgrounds, is located in *Appendix B* on page 8.

10. Qualifications of Investment Advisor Representatives:

Practical Portfolios LLC Investment Advisor Representatives must successfully pass the Uniform Investment Advisor Law Exam and obtain their CERTIFIED FINANCIAL PLANNER® designation before rendering any investment advice, financial planning advice, or becoming eligible to serve as a member of the Investment Committee. The CERTIFIED FINANCIAL PLANNER® designation separately requires a college degree and five years of related work experience prior to certification.

11. Code of Ethics

Practical Portfolios LLC employees adhere to a Code of Ethics which details our fiduciary duty to clients, including the protection of non-public information (See *Appendix A*, our *Notice of Privacy Practices*, on page 7), and our standards of professional and personal conduct. A copy of our Code of Ethics is available on request.

12. No Solicitors

We do not employ paid solicitors

13. No Payments for Client Referrals

We do not pay compensation to third parties for client referrals and we *do not accept* compensation for referrals we make to other professionals.

14. Regulatory and Disciplinary Actions or Complaints Filed or Pending:

None.

15. Operating Summary 2007 (July 1 through December 31)

Assets Under Management (AUM): \$25,278,857

Average per client (60): \$425,390

Average per account (132): \$195,506

Client Services:

Investment Management Services (80%), Investment Advice (10%),
Financial Planning (10%)

Client Profiles:

Individuals (80%), Pension and profit sharing plans (10%), Trusts, estates, or
Charitable organizations (5%), Corporations and business entities (5%)

Investment Management Services

16. Investment Discretion

Investment accounts managed by Practical Portfolios LLC must be *discretionary*. This means we have the authority to determine, without obtaining specific client consent in advance, the securities to be bought and sold in a managed account, including the amount, time, method and venue where the securities transactions take place

17. Brokerage Discretion

We also have the authority to determine the *broker or dealer* used for any securities transactions within a managed account.

18. No Custody of Investment Assets

We do not have custody of investment assets at any time. It will necessary to appoint a *Custodian* for this purpose. The custodian is a bank or registered broker-dealer who creates the actual account used to take possession of cash, securities and other assets. Our authorities will be limited to the aforementioned *discretionary powers*, and we will have no access to the assets or the income produced by the account.

19. Broker Dealer (Custodian) Selection

The Practical Portfolios LLC Investment Committee reviews and approves broker dealers using, among others, the following criteria: reputation and integrity, financial conditions, knowledge of market securities and industries, trading support personnel, order entry/execution and confirmation systems, compatible record keeping systems, ability to obtain best prices, and commission rates. The actual *commission rates are set by the respective broker dealers—not Practical Portfolios LLC.*

20. Investment Strategy:

- Long Term Investing (versus short term speculation)
- Value Investing (high intrinsic value relative to price)

21. Investment Analysis Method

- Fundamental (seeking clean balance sheets, sound business plans, talented management and business conditions favoring profitability)

22. Investment Selection Criteria

The Practical Portfolios LLC Investment Committee reviews and approves investments for consideration using, among others, the following criteria:

- Suitability
- Financial strength
- Compatibility with investment objectives, including: capital appreciation, controlling taxes, controlling volatility, current income, diversification, inflation protection, liquidity, safety of principal,
- Effectiveness, meaning the investment consistently meets or exceeding the investment objectives and performs well relative to peers and benchmarks
- Efficiency, meaning low or reasonable overall costs.

23. Investments are Not Risk Free

All investments managed by Practical Portfolios LLC will have elements of risk, including: credit risk, market risk, business or event risk, interest rate risk and purchasing power risk.

24. Our Sources of Research Information Include:

Financial periodicals, research materials prepared by others, corporate rating services, annual reports, prospectuses, SEC filings and company press releases.

25. Investments managed by Practical Portfolios LLC:

Bonds (corporate, government and municipal), certificates of deposits, commercial paper, exchange traded funds (ETFs), real estate investment trusts (REITs), stocks (US, Non-US, options and warrants) and mutual funds.

26. Investments considered on a case-by-case basis:

Limited partnerships (oil, gas and real estate), variable annuities.

27. Investments we do not manage:

Commodity futures, hedge funds, tax shelters, short selling securities.

28. No Participation or Interest in Client Transactions

Under no circumstance do we recommend, own or participate financially in *client sponsored* or *client managed* investments.

29. Personal Trading by Advisor

The investments we buy and sell for ourselves —primarily stocks, bonds, mutual funds and exchange trades funds—we also recommend to our clients. When we buy and sell our own investments we will always make sure that client transactions in those same securities are given priority above our own.

30. No Proxy Voting

We do not take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in a managed account. Clients expressly retain the authority and responsibility for the voting of all proxies.

31. Ongoing Supervision and Reviews

Portfolios are reviewed quarterly, or more frequently as market conditions dictate. Portfolios are rebalanced, when necessary, based on tolerances that have been established for the portfolio. In addition, taxable portfolios are reviewed for realized gain/loss balancing in the fourth calendar quarter to reduce the tax impact of transactions made during the year, and to offset capital gains and losses that may be realized on other transactions involving assets outside the scope of our management.

Individual investment holdings are monitored for changes in financial ratings or significant price fluctuations automatically each market day. These same positions are also evaluated quarterly by members of the Practical Portfolios LLC Investment Committee using criteria established by both the Advisor and the Client to assess the overall performance relative to the stated investment objectives and other benchmarks.

32. Reports

Portfolio Reports are generated quarterly and delivered to clients in electronic and print formats. Current positions are displayed along with performance information detailing net (after fees and expenses) rates of return for the recent quarter, trailing 12 months, and since inception of our management. Graphic reports depict the net performance of the portfolio against established benchmarks, net deposits and portfolio market value. A sample *Portfolio Report* will be provided on request.

We make recommendations and investment management decisions for your accounts based on the composition of your investment assets, your investment objectives, your risk tolerance, your investment time horizon, and other guidelines that you may specify. We refer to this working body of information, and the special report used to represent it, as your *Investment Policy Statement*. This report is created when we initially establish your account(s). It is also revised periodically for market value changes, when you reach scheduled financial milestones or when you notify us of any significant changes. Please see *Appendix C* on page 9 for an *Investment Policy Statement* sample outline

Investment Management Fees

33. Fees and Conditions for Investment Management:

- Fees are based on a percentage of *assets under management* (AUM)
- The annual fee is calculated and *payable in quarterly increments*
- Fees are paid at the *beginning* of each calendar quarter
- Minimum fee: \$400, annually, per client account
- There is no minimum account size requirement
- Fees are non-negotiable and non-refundable

Standard Portfolios (AUM/Annual fee percentage)

First	\$500,000	0.80 %
Next	\$500,000	0.50 %
Next	\$500,000	0.40 %
Next	\$500,000	0.30 %
Over	\$2 million	0.25 %

Model Portfolios holding only exchange traded funds and indexed mutual funds selected by Practical Portfolios LLC (AUM/Annual fee percentage)

All <i>Model Account</i> assets	0.25 %
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34. No Commissions or Additional Compensation

No commissions or “soft dollar” compensation are received from broker dealers or other third parties.

Hourly Investment Advice

35. Fees for Hourly Investment Advice

In situations where discretionary ongoing supervision and management of investment assets are not indicated, Investment Advice is available on an hourly basis:

Advisor	\$180
Client Support Staff	\$60

Financial Planning Advice

36. Fees for Hourly Financial Planning Advice

In addition to Investment Management Services and Hourly Investment Advice, Financial Planning Advice is available on an hourly basis:

Advisor	\$180
Client Support Staff	\$60

Appendix A: Notice of Privacy Practices

Revised July 1, 2008

Practical Portfolios LLC is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

We do not provide your personal information to any unaffiliated third parties without your express written permission.

With your permission, we share a limited amount of information about you with your brokerage firm and our services bureau in order to execute and report securities transactions on your behalf.

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.

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.

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 and information about transactions between you and third parties. We use this information to help you meet your personal financial goals.

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. During that time, we maintain a secure office and computer environment to ensure that your information is not placed at unreasonable risk. After that time, your information will be destroyed.

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

Practical Portfolios LLC

Appendix B: Education and Business Background of Officers and Key Personnel



John E. Cress:

Principal and Owner of Practical Portfolios LLC,
Managing Member and Chief Compliance Officer

Residence:

Manitowoc, Wisconsin, since 1993

Education and Credentials:

BBA Finance and Information Systems,
University of Wisconsin-Madison, 1981

General Securities Exam 7, 1982

Certified Financial Planner, 1985

Chartered Life Underwriter, 1988

Chartered Financial Consultant, 1991

Uniform Investment Advisor Law Exam, 1996

Certified Financial Planner® designation requires 30 CE hours every 2 years

Experience:

Practical Portfolios LLC, Managing Member and Owner, 2007 to present

Access Investment Advisors Inc., President and Co-Owner, 1996 to 2007

Access Financial Services Corp., President and Owner, 1993 to 1996

John Cress, Registered Investment Advisor, 1989 to 1993

Continuous, related professional employment since 1982

Regulatory and Disciplinary Actions or Complaints:

None

Background:

John is a member of the YMCA USA National Assembly, the Wisconsin YMCA State Alliance Committee, and he is the current Manitowoc-Two Rivers YMCA Endowment Committee Chairman. He is also the founder and editor of YVOICE.org, a website that provides information and discussion forums dedicated to regional YMCA volunteer officers and leaders. John is a past Board President of the Manitowoc-Two Rivers YMCA, receiving the Key Leaders Award in 2006 after 7 years service, and a past board member and treasurer of the Wisconsin Maritime Museum in Manitowoc. He is married to Jennifer, a physician, has 2 children, Mackenzie and Johnny, and they all enjoy art, music, skiing, snowboarding, swimming, martial arts and travel.

Appendix C: **Investment Policy Statement Sample Outline**

Current Assets

Managed Investment Account Inventory

Ongoing Investments

Schedule of ongoing investments to managed accounts

Objectives

Income required for current expenses
Assets required for significant expenses
Investment asset accumulation objectives
Gifts and capital transfers
Investment management objectives:

Capital appreciation, controlling taxes, controlling volatility, current
Income, diversification, inflation protection, liquidity, performance
Relative to peers and performance benchmarks, safety of principal

Risk Assessment

Investment time horizon
Long term volatility tolerance
Short term volatility tolerance
Overall risk tolerance

Recommended Portfolio Allocation

Asset Classes:
Stocks (%), Bonds (%), Cash (%), Other (%)

Asset Types:
Bonds (corporate, government and municipal), certificates of deposits,
Commercial paper, exchange traded funds (ETFs), real estate investment
Trusts (REITs), stocks (US, Non-US), and mutual funds

Tax Considerations

Controlling income taxes on retirement plan distributions and asset sales.
Optimizing tax loss carry-forwards
Optimizing realized capital losses to offset realized capital gains
Controlling gift and transfer taxes