

Patton Fund Management, Inc. Brochure

(Part 2 of Form ADV)

Patton Fund Management, Inc.

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This Brochure provides information about the qualifications and business practices of Patton Fund Management, Inc. If you have any questions about the contents of this Brochure, please contact us at 317.630.0141. 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.

Patton Fund Management, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Patton Fund Management, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

March 31, 2011

Item 2 - Material Changes

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 31, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials 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.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Michele Wilson at 317.630.0141 or michele@pattonfunds.com. Our Brochure is also available on our web site www.pattonfunds.com, also free of charge.

Additional information about Patton Fund Management, Inc. is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with Patton Fund Management, Inc. who are registered, or are required to be registered, as investment adviser representatives of Patton Fund Management, Inc.

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Item 4 - Advisory Business

Firm Description

Our mission at Patton Fund Management, Inc. ("PFM") is to educate investors on the benefits of diversifying beyond traditional stocks, bonds and cash into a wide range of low or non-correlated investments. Assets are invested in exchange-traded funds, U.S. and international stocks, bonds, money market funds, private equity, real estate, commodities, and our proprietary long/short strategies. Our proprietary strategies trade U.S. stocks of public companies. These strategies are designed to reduce investor risk and improve long-term returns.

We implement these concepts through our total portfolio solution called Super-Diversification. There are two steps in creating a "Super-Diversified" Portfolio. The first is to diversify among several types or categories of investments by purchasing mainly low cost exchange-traded funds (ETFs). These additional asset classes often include International Emerging Stocks, Real Estate, Commodities, and Berkshire Hathaway, serving as a substitute for Private Equity.

The second step is to include an allocation to one of our proprietary hedging strategies. The investment discipline used in these strategies is quantitative and model driven. These long/short strategies invest in U.S. stocks and vary in leverage and are discussed in greater detail in Item 8.

Principal Owner

Mark Patton is the sole shareholder of Patton Fund Management, Inc, a Registered Investment Adviser with the U.S. Securities and Exchange Commission. Mark has been providing investment advisory services since 1994. Patton Investment Management, a sole proprietorship, was established in 1994 and then in 2002, Mark founded Patton Fund Management, Inc.

Types of Advisory Services

Patton Fund Management, Inc. provides the following advisory services:

- Investment supervisory services to individuals, trusts, estates, corporations and other individual accounts (called "Individual Accounts") on a fully discretionary basis;
- Investment supervisory services to Companies with Retirement Plans on a non-discretionary basis;
- Acts as the general partner or manager of a number of limited liability companies. Each limited liability company acts as the general partner ("General Partner") of a separate private investment fund ("Fund"). See Item 10 for details;
- Acts as the investment manager and administrator of the Funds. See Item 10 for details; and

- Provides accounting and administrative services to each Fund and General Partner. See Item 10 for details.

Tailored Relationships

We provide many clients and/or prospective clients with a custom portfolio analysis. Proposals include in-depth analysis of the client's current holdings and up to four customized portfolios for comparison purposes. Circumstances that are considered include, age of investor, risk tolerance, need for withdrawals, retirement, other investments, etc.

A similar analysis for Company Retirement Plans may include a review of current plan documents, type of plan, investment menu, plan provisions, number of participants and age distribution and size of plan.

On occasion by request from a client, certain securities can be held or restricted from trading in a client's account.

Wrap Fee Programs

Patton Fund Management, Inc. does not participate in wrap fee programs.

Client Assets

Client Assets as of December 31, 2010 included:

- Discretionary assets of \$24,900,000
- Non-discretionary assets of \$3,900,000

Item 5 - Fees and Compensation

Individual Accounts

We charge management fees based on the client's signed agreement (Investment Advisory Agreement). The annual management fee is payable in quarterly installments at the beginning of each quarter, based on the portfolio's market value at the end of the previous quarter. Prorated adjustments may be made for any cash flows into the portfolio during the quarter. Clients typically have fees directly debited from their accounts, but may choose to pay us directly by check. Under special circumstances, PFM negotiates fees.

Accounts started or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid fees will be refunded, and any unpaid fees will be due and payable.

Prior to the fees being deducted, we send the client a statement itemizing the fee, including the formula used to calculate the fee, the amount of assets under management upon which the fee is based, and the time period covered by the fee.

Fee Schedule for Patton 45 Investment Strategy

<u>Assets Managed</u>	<u>Fee (Annual % of Assets)</u>
Up to \$500,000	1.00%
\$500,001-\$2,500,000	0.75%
\$2,500,001 and up	0.65%

Fee Schedule for Patton Edge Investment Strategy

<u>Assets Managed</u>	<u>Fee (Annual % of Assets)</u>
Up to \$500,000	2.00%
\$500,001-\$1,000,000	1.50%
\$1,000,001 and up	1.00%

For Super-Diversified accounts, the advisory fee is 0.25% to 0.50% per annum of the total portfolio's market value minus the Patton Edge or other Proprietary Fund value. The Patton Edge or other Patton Fund is billed under a separate fee schedule. A minimum management fee of \$500 per annum may be charged. Under special circumstances, Patton Fund Management, Inc. may negotiate fees.

Our fees do not include brokerage commissions, transaction fees, and other related costs and expenses. You may incur certain charges imposed by custodians and brokers such as custodial fees, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Exchange-traded funds also charge internal management fees, which are disclosed in a fund's prospectus. These charges, fees and commissions are in addition to PFM's fee. We will not receive any portion of these commissions, fees, and costs.

You may select the broker/custodian of your choice. We typically recommend a broker/custodian based on the type of strategy and account selected, but it is not mandatory that you follow our recommendation. Also, our fee is not dependent on the broker/custodian selected.

Item 12 further describes the factors that we consider when selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g. commissions).

We charge varying management fees for different strategies and we may have an incentive to recommend a strategy based on the management fees charged, rather than on a client's needs. We have designed and implemented procedures to ensure we treat all clients fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Please refer to Item 11 which describes additional conflicts of interest.

Company Retirement Plans

Patton Fund Management, Inc. charges 0.35% on the Plan assets in a company's retirement plan. Under special circumstances, PFM negotiates fees. The fees are payable in quarterly installments after the end of each quarter. These fees are based on the market value of the Plan's assets as of the last day of the quarter. If the Plan is established or terminated during the quarter, the fee for that quarter will be prorated. Payment options will vary depending on the recordkeeper's options and the Company's preferences. Each Company's Plan documents will detail the payment methods chosen.

Our fees are exclusive of fees charged by the Plan's custodian, broker or recordkeeper. Such additional fees include recordkeeping fees, document change fees, participant loan fees, custodial fees, brokerage commissions, transaction fees, wire transfer and electronic fund fees, and other related costs and expenses which will be incurred by the client. Exchange-traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are in addition to PFM's fee, and we will not receive any portion of these commissions, fees, and costs.

Clients may select the recordkeeper of their choice. Patton Fund Management, Inc. will typically recommend a recordkeeper, but it is not mandatory that a client select our recommendation. Also, our fee is not dependent on the recordkeeper selected.

Item 12 further describes the factors that we consider when selecting or recommending a recordkeeper/custodian for client transactions and determining the reasonableness of their compensation (e.g. commissions).

Please refer to Item 11 which describes additional conflicts of interest.

The Funds and General Partners

Patton Fund Management, Inc. is reimbursed by each Fund and General Partner for all out-of-pocket costs and expenses reasonably incurred by PFM.

We charge each Fund a monthly administrative services fee equal to 0.25% per annum of the Fund's net assets. We charge each General Partner a monthly administrative services fee equal to 0.15% per annum of the respective Fund's net assets. In calculating the administrative services fee, the Fund's net assets are valued as of the first day of each calendar month (including any new investments effective at the beginning of the month). The administrative services fee is in addition to any management fee or incentive fee payable by the Fund to its General Partner. Each Fund and GP must also reimburse PFM for out-of-pocket expenses.

Each Fund has its own management fee and incentive compensation arrangement, described in Item 6 below.

Item 12 further describes the factors that we consider when selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g. commissions).

Please refer to Item 11 which describes conflicts of interest.

Item 6 - Performance-Based Fees & Side-by-Side Management

The Funds and General Partners

Each Fund has its own management fee and incentive compensation arrangement, described as follows:

- **Patton Edge Plus Fund, L.P.** – the Fund pays to its General Partner a monthly management fee equal to 1.0% per annum of the value each investors account balance. In addition, each investor is charged a performance based fee. This performance fee is calculated at the end of each year and is equal to 20% of the net gains. Prior year performance could have a significant impact on this calculation.
- **Patton Multiplier Fund, L.P.** – the Fund does NOT pay a management fee. Each investor is charged a performance based fee. This fee is calculated at the end of each year. The investor pays a performance fee of 50% of any amount over a 12% annual net return. Prior year performance could have a significant impact on this calculation.
- **Patton Flex Fund, L.P.** – the Fund does NOT pay a management fee. Each investor is charged a performance based fee. This fee is calculated at the end of each year. The investor pays a performance fee of 50% of any amount over a 12% annual net return. Prior year performance could have a significant impact on this calculation.

Each Fund's fees and expenses, and the calculation of the performance based fees, are described in the respective Fund's offering documents.

Performance based fee arrangements create an incentive for Patton Fund Management, Inc. to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Refer to Item 10 and Item 11 that describe this and other additional conflicts of interest.

Item 7 - Types of Clients

Description

Patton Fund Management, Inc. provides portfolio management services to individuals, high net worth individuals, corporations, foundations, partnerships, company retirement plans, private investment funds, and trusts.

Account Minimums

Patton Fund Management, Inc.'s account minimums are as follows:

- Super-Diversification (Individual account with ETFs) - No account minimum
- Super-Diversification (Company Retirement Plans) - No account minimum

- Patton 45 Strategy (Individual long only account) - No account minimum
- Patton Edge Strategy (Individual long/short account) - No account minimum
- Patton Edge Plus Strategy (Fund) - \$250,000
- Patton Multiplier Strategy (Fund) - \$250,000
- Patton Flex Strategy (Fund) - \$500,000

Account minimums may be waived.

Each Fund requires that investors be “accredited investors” as well as either a “qualified client” or a “qualified purchaser”. Each Fund’s Subscription Booklet describes in detail the investment qualifications required.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Analysis for Super-Diversified portfolios is risk based. The goal is to design a portfolio allocation that best fits each individual client’s risk tolerance and circumstances. PFM has a proprietary research system that utilizes monthly performance data on dozens of asset classes.

Historical analysis is done on many differing combinations of asset classes to determine the mix, or allocation of assets that produces the most desirable risk profile for each client.

The investment discipline used by the Patton 45, Patton Edge and each Fund strategy is entirely quantitative and model driven. The underlying principles are reflected in the academic field of *Behavioral Finance*, or what is often called *investor psychology*. These strategies utilize strict adherence to these six disciplines:

- Identifying the potential candidate stocks for the portfolio
- Entering positions in stocks that are mispriced based on the quantitative model
- Closing positions that are negatively impacting performance
- Holding positions that continue to produce gains
- Diversification, and
- Hedging (except Patton 45 Investment Strategy).

These disciplines are purely quantitative and have been back-tested from July 1963 using a proprietary model simulating every investment decision on a daily basis. Additional information regarding the back-tested details is located in the respective strategy’s brochure or Fund’s offering memorandum.

For each of our strategies, we utilize information from a variety of sources including several computer databases and on-line services.

Investment Strategies

The Investment Strategies offered include the following:

Super-Diversification utilizes the following combinations:

- Exchange-traded Funds (ETFs) only;
- ETFs with a portion of a client's portfolio in the Patton Edge Strategy (see description below)
- ETFs with a portion of a client's portfolio in the Patton Edge Plus Strategy (see description below)
- ETFs with a portion of a client's portfolio in the Patton Multiplier Strategy (see description below)
- ETFs with a portion of a client's portfolio in the Patton Flex Strategy (see description below)

The goal of Super-Diversification is to spread your assets among several types or categories of investments that do not perform similarly with the goal of reducing overall risk. These different categories include U.S. and international stocks, hedge strategies, hedge funds, private equity, real estate, and commodities. The exposure to most of these categories is accomplished through low cost ETFs and one of Patton's hedging strategies.

All ETFs are subject to risk, which may result in the loss of principal. International ETFs involve additional risks, including currency fluctuations and political uncertainty. ETF products that invest in emerging markets are generally more risky than those that invest in developed countries because countries with emerging markets may have relatively unstable and less-established markets and economies. Diversification does not ensure a profit or protect against a loss.

Patton 45 Investment Strategy is utilized in *individual accounts* and has the following key elements:

- Style: Long Only Equity
- Discipline: Purely Quantitative
- Diversification: Generally 50-80 Long Positions
- Position Liquidity: Very High
- Leverage: None

An investment in the Patton 45 Strategy involves a number of substantial risks. A summary of some of those risks are as follows:

- *Investment Risks* – an investment in the Strategy involves the risk of loss of investment, and there can be no assurance that investors will receive any return of or on their investment.
- *Investment Strategy Risks* – there can be no assurance that the Strategy will achieve its investment objective and may trail the performance of other strategies.

- *Market Risks* – the Strategy could lose money over short periods due to short-term market movements and over longer periods during market down-turns.

Please read the section titled “Risk Factors” in Patton 45 Strategy’s marketing brochure for additional information.

Patton Edge Investment Strategy is utilized in *individual accounts* and has the following key elements:

- Style: Long/Short Equity
- Discipline: Purely Quantitative
- Diversification: Generally 50-80 Long Positions and 50-90 Short Positions
- Position Liquidity: Very High
- Leverage: Up to 2 to 1

An investment in the Patton Edge Strategy involves a number of substantial risks. A summary of some of those risks are as follows:

- *Investment Risks* – an investment in the Strategy involves the risk of loss of investment, and there can be no assurance that investors will receive any return of or on their investment.
- *Investment Strategy Risks* – there can be no assurance that the Strategy will achieve its investment objective and may trail the performance of other strategies.
- *Limited Operating History* – past performance of any Patton strategies should not be an indication of the future results of an investment in this Strategy. There can be no assurance that the assessments of the short-term or long-term prospects of investments will prove accurate.
- *Market Risks* – the Strategy could lose money over short periods due to short-term market movements and over longer periods during market down-turns.
- *Short Sales* – a short sell allows the investor to profit from declines in the security’s value and consequently, creates the risk of an unlimited loss as the stock price could rise without limit.
- *Risks of Borrowing and Leverage* – the Strategy intends to borrow for the purpose of investing in portfolio securities. Leverage can substantially increase the volatility and risk of the individual’s portfolio.
- *Conflicts of Interest* – We charge varying management fees for different strategies and we may have an incentive to recommend a strategy based on the management fees charged, rather than on a client’s needs. Please see Item 11 where many Conflicts of Interest are described. Also, refer to marketing brochure for the Patton Edge Strategy “Conflicts of Interest”.

Please read the section titled “Risk Factors” in Patton Edge Strategy’s marketing brochure for additional information.

The Investment Strategies of the Funds are described as follows:

Patton Edge Plus Investment Strategy is utilized in Patton Edge Plus Fund, LP and has the following key elements:

- Style: Long/Short Equity
- Discipline: Purely Quantitative
- Diversification: Generally 50-80 Long Positions and 50-90 Short Positions
- Position Liquidity: Very High
- Leverage: Up to 3 to 1

Patton Multiplier Investment Strategy is utilized in Patton Multiplier Fund, LP and has the following key elements:

- Style: Long/Short Equity
- Discipline: Purely Quantitative
- Diversification: Generally 50-80 Long Positions and 50-90 Short Positions
- Position Liquidity: Very High
- Leverage: Up to 4 to 1

Patton Flex Investment Strategy is utilized in Patton Flex Fund, LP and has the following key elements:

- Style: Long/Short Equity
- Discipline: Purely Quantitative
- Diversification: Generally 50-80 Long Positions and 50-90 Short Positions
- Position Liquidity: Very High
- Leverage: Up to 5 to 1

Investors in the Funds must qualify both as (1) “accredited investors” and (2) “qualified clients”. You may refer to the Fund’s Subscription Agreement under “Investor Suitability; Subscription Procedures” for specific requirements.

An investment in any one of the Funds involves a number of substantial risks. A summary of some of those risks are as follows:

- *Investment Risks* – an investment in any one of the Fund strategies involves the risk of loss of investment, and there can be no assurance that investors will receive any return of or on their investment.
- *Investment Strategy Risks* – there can be no assurance that the Fund will achieve its investment objective and may trail the performance of other funds.
- *Limited Operating History* – past performance of any Patton funds should not be an indication of the future results of an investment in the Fund. There can be no assurance that the assessments of the short-term or long-term prospects of investments will prove accurate.
- *Market Risks* – the Fund could lose money over short periods due to short-term market movements and over longer periods during market down-turns.

- *Short Sales* – a short sell allows the investor to profit from declines in the security's value and consequently, creates the risk of an unlimited loss as the stock price could rise without limit.
- *Risks of Borrowing and Leverage* – the Fund intends to borrow for the purpose of investing in portfolio securities. Leverage can substantially increase the volatility and risk of the Fund's portfolio.
- *Lack of Management Control by Limited Partners* – the investors in the Fund do not have the right to participate in the management, control or operation of the Fund or to remove the General Partner or the Manager under any circumstances.
- *Conflicts of Interest* – Patton Fund Management, Inc. and its affiliates provide investment management and advisory services to a significant number of individual and institutional clients, including hedge funds existing or to be formed in the future which may be similar to existing funds. Please see Item 11 where many Conflicts of Interest are described. Also, refer to the respective Fund's offering memorandum under "Conflicts of Interest".

Please read the section titled "Risk Factors" in the Fund's offering memorandum for additional information.

Risk of Loss

No matter the investment strategy selected, investing in securities involves risk of loss that clients should be prepared to bear.

Item 9 - Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that are material to your evaluation of Patton Fund Management, Inc. or the integrity of our management. Patton Fund Management, Inc. has no required disciplinary information to disclose.

Item 10 - Other Financial Industry Activities and Affiliations

Material Relationships

In addition to providing investment advice, Patton Fund Management, Inc. also

- Acts as the general partner or manager of a number of limited liability companies. Each limited liability company acts as the general partner ("General Partner") of a separate private investment fund ("Fund");
- Acts as the investment manager and administrator of the Funds; and
- Provides accounting and administrative services to each Fund and General Partner.

The following is a brief description of each Fund for which PFM acts as the investment adviser or administrator. A complete description of each Fund, including its structure, operations and activities, fees and expenses, may be obtained from each Fund's offering documents. PFM also acts as the Manager for each Fund listed below.

Patton Edge Plus Fund, L.P. – A private investment fund organized in December 2010

- Strategy – Patton Edge Plus Strategy investing in U.S. stocks
- General Partner – Patton Edge Plus Partners, LLC
- Members of General Partner – PFM owns approximately 61%; and others (none own 25% or more)

Patton Multiplier Fund, L.P. – A private investment fund organized in December 2010

- Strategy – Patton Multiplier Strategy investing in U.S. stocks
- General Partner – Patton Multiplier Partners, LLC
- Members of General Partner – PFM owns approximately 73%; and others (none own 25% or more)

Patton Flex Fund, L.P. – A private investment fund organized in August 2009

- Strategy – Patton Flex Strategy investing in U.S. stocks
- General Partner – Patton Fund Partners 3, LLC
- Members of General Partner – Mark Patton owns approximately 93%; and others (none own 25% or more)

We provide investment management and investment advisory services to a significant number of individual and institutional clients, including Funds that may be similar to each other. We also engage in activities where our interests or the interests of a Fund, a General Partner or our investors may conflict with the interests of other clients. Certain potential and actual conflicts of interest are described in the offering documentation for each Fund or General Partner. Certain of the more significant of these conflicts of interest are described briefly below and in Item 11.

While the Funds are clients of Patton Fund Management, Inc., certain Individual Account clients of PFM may also be solicited to invest in the Funds. Refer to Item 11 for details regarding this conflict of interest.

Other Funds

Patton Fund Management, Inc. and its affiliates currently manage, and may in the future organize and operate, other hedge funds, private investment funds, or other investment vehicles, any of which may have investment objectives and policies which are similar or even identical to those of any Fund. Such investment vehicles may make investments in the same securities in which any Fund invests and may be competitive with any Fund.

See Item 11 for additional conflicts of interest.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

Patton Fund Management, Inc. has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics provides guidance for personal investment activity and other activities that have the potential to create actual or apparent conflicts of interest between employees and clients. The Code of Ethics is based on the principle that officers, directors and employees of PFM have a fiduciary duty to place the interests of its clients above their own.

The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at PFM must acknowledge the terms of the Code of Ethics annually, or as amended.

Patton Fund Management, Inc.'s clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Michele Wilson at 317.630.0141 or email at Michele@pattonfunds.com.

Recommend Securities with Material Financial Interest

Patton Fund Management, Inc. anticipates that, in appropriate circumstances and when consistent with clients' investment objectives, that it will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which PFM, its affiliates and/or clients, directly or indirectly, have a position of interest.

For example, PFM may recommend that an Individual Account client or a prospective client invest in a Fund. Funds with performance based fee arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. The performance based fee of a Fund could generate more fees when compared to other PFM strategies. Such fee arrangements also create an incentive to favor higher fee paying accounts over the other accounts in the allocation of investment opportunities. We have designed and implemented procedures to ensure that we treat all clients fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Invest in Same Securities Recommended to Clients

Patton Fund Management, Inc.'s employees and persons associated with PFM are required to follow its Code of Ethics. Officers and employees of PFM and its affiliates do trade for their own accounts in securities which are recommended to and/or purchased for PFM's clients. The

Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of PFM will not interfere with:

- making decisions in the best interest of clients; and
- implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Personal Trading Policies

Under the Code of Ethics certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Patton Fund Management, Inc.'s clients. In addition, the Code of Ethics requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between PFM and its clients.

Proprietary Trading

Patton Fund Management, Inc. and its affiliates, including Mark Patton, their employees and their clients can invest, for their own accounts, in securities that might be held by any Fund. These trading activities are carried out generally without reference to positions held by any Fund, and may be contrary to the trading activity of any Fund. We monitor the potential conflict through our Code of Ethics, specifically, monitoring personal securities transactions described above.

Ownership of Funds

Patton Fund Management, Inc., the General Partners and their affiliates and employees have purchased limited partnership interests in a Fund for investment. Conflicts of interest may arise in the course of operations of the Fund as a result of their ownership interest as limited partners. PFM, the General Partners and their affiliates and employees may not be charged management fees or incentive allocations with respect to their investments in the Funds.

Sales of Interests in General Partners

Mark Patton or affiliates have sold units of ownership interests ("Units") in the General Partners to third persons, some of whom are or may be clients of Patton Fund Management, Inc. and these transactions may present conflicts of interests. Mark Patton or affiliates may in the future sell units of ownership interest ("Units") in the General Partners to third persons, and these transactions may present conflicts of interest. For example,

- there may be conflicts in PFM's or Mark Patton's interest in receiving maximum cash sales proceeds from the sale of the Units in a General Partner, versus PFM's duty to place the interests of its clients before its own interests;
- there may be conflicts between the PFM's incentive to specially favor those clients that have purchased Units, versus the duty to treat all of its clients fairly and equitably;

- PFM has clients who are invested in one of the Funds and certain other clients who are minority equity owners of the Fund's General Partner; and
- the sales of Units are individually negotiated and have resulted in clients purchasing a dissimilar number of Units for the same or varying prices.

The original offering price of the Units is set by Mark Patton arbitrarily, and is not the result of any arms' length negotiations. The Units typically are initially issued to PFM or Mark Patton at a nominal exercise price, typically \$1.00 per Unit. In many cases those Units are then immediately sold by PFM or Mark Patton to investors at a significant mark-up – in some cases as high as \$20,000 per Unit. The reason for this mark-up is to compensate Mark Patton for creating the business opportunity presented by the applicable General Partner. Because either PFM or Mark Patton sells the Units, he personally or PFM, and not the applicable General Partner, is entitled to retain the entire proceeds of the sale of the Units. However, to March 31, 2011, Mark Patton has contributed more than \$4,000,000 in proceeds from sales of the Units to PFM to support its operations.

Item 12 - Brokerage Practices

Selecting Brokerage Firms

Patton Fund Management, Inc. does not have any affiliation with any broker-dealers or custodians. We do recommend custodians for clients based on the strategy and the type of account. The recommendations are based on experience, cost, execution quality and service. We do not receive any compensation from any of these arrangements.

Best Execution

Patton Fund Management, Inc. has adopted trading procedures designed to seek the best execution of client securities transactions. We review trades to determine the quality of execution. We also investigate other broker-dealers and custodians to compare services and costs. These procedures are also designed to address the conflicts of interest that arise as a result of managing multiple types of accounts, including client accounts and client accounts that pay higher fees (i.e., performance fees). We monitor the trading procedures and formally review trading-related matters such as use of client commissions and overall best execution on at least an annual basis.

Order Aggregation and Trade Rotation

When possible, Patton Fund Management, Inc. aggregates client transactions by broker and executes block trades in order to improve the efficiency of the execution and, in some cases, to reduce commission costs. No account within the block trade will be favored over any other account, and each account will participate in the aggregated order at the same average share price. Trades of PFM's employees who have an account with PFM will be done on an aggregated basis with client orders.

If an aggregated order cannot be filled in one day (a “partial fill”), the executed portion of the order is allocated to the participating accounts pro rata on the basis of order size, subject to certain exceptions.

Trades are executed by broker; consequently, all orders cannot be aggregated into one trade. We have trade rotation procedures that pre-determine the order in which the trades are placed. The trade rotation schedule ensures that client account orders are treated fairly and equitably over time.

Directed Brokerage

For Individual Account clients, Patton Fund Management, Inc. does not trade away from the respective custodian.

For the Funds, we direct some trades to another broker. These trades will be included in the trade rotation schedule as discussed above. If possible, those trades will be aggregated among the Funds so that each Fund receives the aggregate executed share price. Many factors determine whether we will trade away:

- Commission rates;
- Other trading costs;
- Difficulty of trade;
- Security's trading characteristics;
- Liquidity;
- Size of order; and
- Execution quality

These considerations (and others as relevant) guide us in selecting the appropriate venue in which to place the order and the proper tactics with which to trade.

Execution quality is monitored on a regular basis to determine if trading away is in the best interest of the Funds.

Research and Soft Dollars

Patton Fund Management, Inc. does not receive any research or soft dollar products.

Currently, the only services Patton Fund Management, Inc. receives are market data that reports current pricing and programs that allow for specific routing of trades. There are no agreements or understandings obligating us to execute a portion of its trades through a particular broker-dealer. Nor does Patton Fund Management, Inc. “backstop” or otherwise guarantee any broker’s financial obligation to a third party for such research or services.

Item 13 - Review of Accounts

Periodic Reviews

Individual Accounts and Company Retirement Plans are reviewed at least annually by the portfolio manager (Mark Patton). However, the receipt of any meaningful information relating to the economic or market environment, individual companies or industries or factors that affect its clients' investment objectives could prompt immediate review of each account affected by such developments.

Regular Reports

Individual accounts clients receive statements no less than quarterly directly from the custodian. Clients also receive from us, a quarterly invoice disclosing the quarterly management fee deducted from their account. When negotiated, we will provide clients with periodic account statements showing account activity and portfolio analysis reports.

Company Retirement Plans receive statements no less than quarterly directly from the custodian/administrator.

Each Fund provides to its investors:

- annual audited financial statements of the Fund as soon as practicable after the end of each fiscal year;
- unaudited monthly Capital Account statements; and
- annual tax information necessary for completion of tax returns.

Each General Partner provides to its investors:

- annual audited financial statements of the General Partner as soon as practicable after the end of each fiscal year;
- unaudited quarterly financial statements of the General Partner; and
- annual tax information necessary for completion of tax returns.

Item 14 - Client Referrals and Other Compensation

Economic Benefits

See Item 12 – Brokerage Practices

Third Party Solicitors

Patton Fund Management, Inc. does not directly or indirectly compensate any person for client referrals.

Item 15 - Custody

Account Statements

Clients receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. We urge you to carefully review such statements and compare those statements to the quarterly account statements that we provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 - Investment Discretion

Discretionary Authority for Trading

Patton Fund Management, Inc. typically receives discretionary authority from the client at the beginning of an advisory relationship and once the client has signed the Investment Advisory Agreement. This authority allows us to determine the current holdings in a client's account and the securities that need to be purchased or sold in order to invest in the strategy that the client has selected.

A client may request a particular stock to be held or restricted in their account that is outside of the strategy, but generally, stocks are purchased and sold according to the investment strategy. In all cases, however, such discretion is exercised in a manner consistent with the stated investment strategy for the particular client account.

Restrictions must be provided to us in writing.

Item 17 - Voting Client Securities

Proxy Voting

Investment advisers that vote proxies for clients are required to adopt and implement policies and procedures for voting proxies in the best interest of clients, to describe the procedures to clients, and to tell clients how they may obtain information about how the adviser has actually voted their proxies.

Where Patton Fund Management, Inc. has authority to vote proxies for clients' accounts, we are committed to voting in the manner that serves the best interests of the client, which generally means voting proxies with a view to enhance the value of the shares of stock held in client accounts. In the rare circumstance of a material conflict, we will still vote in the best interest of the client and report that conflict to the Chief Compliance Officer for review before voting.

Where we do not have authority to vote proxies for clients' accounts, clients will receive their proxies or other solicitation directly from their custodian or a transfer agent. The client will be

responsible for voting proxies for any and all securities maintained in the account. See below for contact information if you have questions regarding a particular solicitation.

If you would like a copy of our Proxy Voting Policies or information about how we voted any proxies on behalf of your account, please send a request to Patton Fund Management, Inc., Attn: Compliance Officer, 6510 Telecom Drive, Suite 195, Indianapolis, IN 46278

Item 18 - Financial Information

Financial Condition

Patton Fund Management, Inc.'s business does not currently generate sufficient cash flow to support its own operations. As stated above, Mark Patton has borrowed funds from advisory clients and others to support investment advisory operations. In addition, Mark Patton has used proceeds of his sales of Units in the General Partners to support PFM's operations by contributing those proceeds to the capital of PFM. He has contributed his allocable share of incentive fees paid by the Funds to PFM to support its operations and is likely to in the future if necessary. However, he has no obligation to do so. Therefore, PFM has a precarious financial condition – meaning that PFM's financial condition is reasonably likely to impair its ability to meet its contractual commitments to clients.

Item 19 - Educational Background & Business Experience

Name, Age (Year of Birth)

Mark A. Patton was born in 1969.

Formal Education

While Mark has no formal standards of education after high school, Mark attended Indiana University for three years pursuing a double major in Finance and Real Estate – Finance. Mark has approximately two decades investment management experience and has satisfied the examination requirements of applicable law.

Business Background

Mark has been providing investment advisory services since 1994. Patton Investment Management, a sole proprietorship, was established in 1994 and then in 2002, Mark founded Patton Fund Management, Inc. and is the President, Secretary and Treasurer.

Item 20 - Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

Item 21 - Other Business Activities

Information regarding investment-related activities and other business have been discussed above in ADV Part 2A.

Item 22 - Additional Compensation

Information regarding additional compensation has been discussed above in ADV Part 2A.

Item 23 - Supervision

Describe Supervision

Mark Patton is the President of Patton Fund Management, Inc. and plays an important part in the firm's compliance policies. Supervision is imperative in making sure that PFM continually places client interests above all else. Some of the policies that are in place include:

- all marketing materials prepared by Mark Patton are reviewed by the Compliance Officer;
- all proposals are maintained; however, due to the similarity in nature, the Compliance Officer will select a few to review; and
- emails are periodically reviewed by the Compliance Officer for false and misleading information given to clients and prospective clients and also for evidence that sales material has been sent without receiving the Compliance Officer's approval.

Also, the firm's Compliance Policies along with advertising rules are frequently discussed making sure that the appropriate policies are followed and revised as necessary.

Name, Title and Telephone Number of Supervisor

Michele Wilson

Chief Financial Officer/Chief Compliance Officer

317.630.0141 ~ phone