



Cover Page: Part 2A of Form ADV: Firm Brochure

As of December 31, 2011

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J. Clay Crumbliss, Chief Compliance Officer

This brochure provides information about the qualifications and business practices of Patten and Patten, Inc. (herein referred to as “Patten” or “the Firm”). If you have any questions about the contents of this brochure, please contact us at (423) 756-3480 or clay@patteninc.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Patten also is available on the SEC’s website at www.adviserinfo.sec.gov. Patten’s CRD number is 105414.

Occasionally Patten may reference itself as a Registered Investment Adviser; however, registration does not imply a certain level of skill or training.

Material Changes

This section only discusses any material changes to our Form ADV Part 2A disclosure document, which we refer to in this document as the brochure.

Since our last annual update to this brochure (March 25, 2011), there have been no material changes to the information in this brochure.

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(The Table of Contents is provided to facilitate Clients and Prospective Clients' search for those certain disclosure items contained in this brochure required of investment advisers who are registered with the SEC.)

Advisory Business

History, Principal Owners and Staff

Patten was established in 1976 by brothers Z. Cartter Patten, III and W.A. Bryan Patten, who remain the majority Principals of the firm. Other Principals include Frank M. Robbins, III, Raymond V. Ryan, and J. Clay Crumbliss. The firm has six Portfolio Managers who offer investment advisory services. These managers are supported by a staff of Portfolio Administrators, Compliance Officers, Portfolio Assistants, and Administrative Assistants.

Compliance Program

On February 5, 2004, the SEC adopted Rule 206(4)-7 ("Compliance Program"), requiring registered Investment Advisers to: 1) adopt and implement written policies and procedures to prevent violations by Patten (or any Covered Associate) of the Act and/or the Rules adopted under the Act; 2) conduct an annual review of these policies and procedures; and 3) designate a Chief Compliance Officer ("CCO") to administer the policies and procedures. Compliance with Rule 206(4)-7 of the Investment Advisers Act of 1940 was required on or before October 5, 2004.

During 2003, Patten adopted and implemented a compliance manual comprised of a number of written policies and procedures designed to prevent violations of the Act, as well as addressing our fiduciary and regulatory obligations including, but not limited to, the following: 1) portfolio management process; 2) trading practices or best execution; 3) accurate and timely disclosures; 4) personal trading; 5) continuous safeguarding of Clients' assets; 6) implementation and enforcement of a privacy policy (Regulation S-P); 7) consistent process of Client holdings valuation and the generating of fees; and 8) creation and implementation of business continuity and disaster recovery plans. A full and proper review of the firm's policies and procedures (compliance manual) occurs on a continuous basis and is documented in the Annual Compliance Review.

Additionally, the Principals of Patten, as required by Rule 206(4)-7, expanded the role of the then current Compliance Officer by creating the Chief Compliance Officer position. The CCO has full responsibility and authority to enforce the appropriate policies and procedures which allow Patten to comply with the rules and regulations that govern registered investment advisers. J. Clay Crumbliss currently serves as the Chief Compliance Officer and Lorien "Lori" Sauter as a Compliance Officer.

Advisory Services Offered

Please Note: Patten does not provide legal, tax, or accounting advice or services and the Client should not assume that Patten provides such services at any time. Also, the Client should understand that, generally speaking, securities or other investments for which Patten provides advice are not deposits or obligations of any bank, are not endorsed or guaranteed by any bank

and are not insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other governmental agency and that Patten is not a trust or banking institution.

Patten provides its Clients (individuals, business entities, trusts, estates and charitable organizations, etc.) with discretionary investment advisory services. Patten does not hold itself out as providing financial planning, estate planning, or insurance planning services. To the extent specifically requested by a Client, Patten may provide limited consultation services to its investment management Clients on investment and non-investment related matters that are generally ancillary to the investment management process. Any such consultation services, to the extent rendered, shall be rendered exclusively on an unsolicited basis, for which Patten shall usually not receive any separate or additional fee.

For most Clients, "investment supervisory services" are rendered. This service involves continuous advice to Clients as to the investment of their assets depending on the particular circumstances and needs of that Client. The Client determines whether to grant discretion to this firm in carrying out our service or to require prior approval by the Client of all recommendations to them (non-discretion). Patten's Portfolio Managers submit a quarterly, written report on the Client's portfolio(s) and ask that the Client meet with them each quarter. Not all Clients choose to meet quarterly.

Patten has a customized approach with regard to Client assets that is based on developing a detailed investment policy statement. The Firm's investment process begins with making an assessment as to the proper strategic asset allocation for a given portfolio, accounting for the portfolio's objectives and risk tolerances, and the expected returns for various asset classes. This is accomplished through an extensive consultative process with each Client, including the completion of a questionnaire designed to assess objectives, risk tolerance, suitability, and restrictions. This information is gathered, assimilated, and analyzed with the goal of developing specific recommendations. Those recommendations would be made in the context of any existing investment policies. Ultimately, the initial set of recommendations is proposed to each Client for approval and implementation. Typically, following these meetings the Portfolio Manager generates a *Statement of Investment Objectives and Policy Guidelines* for the Client's account(s).

Clients may impose restrictions on investing in certain securities or types of securities. A Client should give the Portfolio Manager these restrictions in writing after a discussion with the Portfolio Manager.

Types of Account Managed

- 1) Balanced Accounts and Equity Accounts call for performance comparison with recognized indices and objectives of achieving above average return for risk assumed.
- 2) Money Market Accounts invest in high quality, short term, and fixed income investments. Services offered include knowledge of yield spreads between different

money market investments; negotiations of CD rates; execution of orders; wiring of funds; accounting for income; scheduling cash flows; and attaining proper duration of the portfolio.

- 3) Mutual Fund Supervisory Accounts involving selection of funds.
- 4) Monitored Accounts involve services to employee savings plans regarding advice about the number and types of investment funds to be made available to participants of a plan, as well as possible recommendations regarding selection of specific funds. This service may include evaluation to plan participants and advice to plan participants regarding the allocation of assets among investment funds available under the plan.

Assets Under Management

Patten's annual filing of the Form ADV (with the SEC) reflects \$1,003,468,975 in Regulatory Assets Under Management ("RAUM"), reflecting the real market value of assets held by Patten's Clients as of December 31, 2011. Of this total, \$779,821,221 was managed on a discretionary basis and \$223,647,754 on a non-discretionary basis. This calculation excludes any account (portfolio) in which 50% or more of the assets are not securities. This might include such assets as closely held securities, real estate, etc.

For marketing purposes, Patten chooses to use a different methodology in the calculation of its Assets Under Management ("AUM"). In this calculation, Patten includes the "other assets" which were not included in the calculation of AUM above. Other assets could possibly include closely held securities, real estate, etc. Under this calculation, Patten had \$1,046,445,366 in AUM as of December 31, 2011. Of this total, \$780,280,730 was managed on a discretionary basis and \$266,164,636 on a non-discretionary basis.

Patten occasionally enters into WRAP Fee Arrangements for discretionary equity/balanced accounts with broker-dealers registered with the Financial Industry Regulatory Authority ("FINRA"). These accounts are managed with the same strategies as other Client equity/balanced accounts. Compensation for these accounts conforms to the same guidelines as other non-wrap accounts.

Note: In performing its services, Patten shall not be required to verify any information received from the Client or from the Client's other professionals, and is expressly authorized to rely thereon. It is the Client's responsibility to promptly notify Patten if there is ever any change in financial situation or investment objectives for the purpose of reviewing, evaluating, and/or revising Patten's previous recommendations and/or services. Every Client is encouraged to schedule a meeting with their Portfolio Manager at least quarterly to review accounts and to update their Portfolio Manager on the needs of the Client. Each Client will receive a written quarterly performance report.

Fees and Compensation

Fee Calculation

The majority of Patten's compensation is fee-based, as calculated on the account's average balance during a specific period of time – typically a calendar quarter basis, in arrears. The amount of the fee is calculated by applying the applicable percentage (shown below) to the average balance of the account/portfolio for the preceding quarter; e.g., Patten takes the balance on January 1, adds the balance on March 31, divides by two (2), and then multiplies by one quarter of the applicable Annual Fee. Note: Accounts may be subject to a minimum management fee of \$2,000.

Standard Fee Schedule

Assets Under Management	Annual Fee as a Percent of Assets
First \$2,000,000	0.750%
Next \$3,000,000	0.500%
Above \$5,000,000	0.375%

Patten does not accept compensation for the sale of securities or other investment products.

Aggregation of Multiple Accounts

Individual Clients or families with multiple accounts with the same fee schedule will have their billing aggregated according to the fee schedule. Client accounts that have different fee schedules cannot be aggregated for billing purposes.

Other Fee Schedules

Under certain circumstances, some accounts may be charged a flat quarterly or annual fee for management, if mutually agreed upon by the Client and the portfolio manager. This might include any of the following:

- Money Market Accounts – The fee is typically .25% of the AUM
- Mutual Fund Supervisory Accounts - The fee for this is typically .50% of the total market value with administrative service fees collected where applicable. Note: In addition to the advisory fees charged by Patten, the Client may incur additional costs associated with the management fees charged by the mutual fund management company.
- Monitored Accounts – The fee for this service is typically .125% on the total fund balance. There is a minimum annual fee of \$2000.

Negotiated Fee Schedules

Some Portfolio Managers may negotiate with the Client an alternate fee schedule after careful examination and discussion of a Client's goals and objectives. Fee schedules are recorded in writing as approved by the Client and the Portfolio Manager.

Assets with No Market Value

When assets are purchased for which no ready market value is available, the standard account fee will be applied to the cost of the asset, unless we have agreed in advance and in writing to a different fee arrangement with the Client.

Fees for Other Services

Clients may also be subject to additional fees or expenses. These include fees for additional services offered by Patten, such as proxy voting fees.

Please Note: The fees you pay us do not include brokerage commissions or other fees or charges associated with securities transactions implemented with or through a brokerage firm, mark-ups or mark-downs in principal transactions, deferred sales charges, odd-lot differentials, stock exchange fees, wire transfer or related processing fees, transfer taxes or other charges mandated by law or regulation all of which will be charged to you in addition to our fee. Patten does not receive any portion of any of the foregoing expenses or fees. Clients may also incur fees charged by their custodian such as custodial fees, mutual fund fees, and other transaction costs. Patten does not accept compensation for the sale of securities or other investment products (Please refer to the section on Brokerage Practices in this brochure (p. 19) for more information on how we select or recommend brokerage firms for your securities transactions and information related to that process.).

In some instances the Client does not desire "investment supervisory service" (e.g., the Client may retain Patten to manage only a portion of his or her portfolio, stating a definitive objective). In these cases, the fee is negotiated.

From time to time, a Portfolio Manager at Patten may enter into consulting arrangements for matters that do not involve ongoing investment advice. These consulting arrangements are usually of limited duration and the hourly fee charged is negotiated in the contract. The revenues associated with this business are of de-minimus in nature.

Billing Practices

Client accounts are billed quarterly, unless otherwise arranged between the Client and their Portfolio Manager. Clients may choose to be billed directly or have fees deducted from their accounts, if their custodian has that capability. If the Client chooses to have their fees deducted from their account, Patten will provide the Client with a copy of the quarterly billing statement.

Pre-payment of Fees and Refund of Fees

A Client may pre-pay management fees if they so choose. A Client may obtain a refund of a pre-paid fee or overpayment by contacting the Portfolio Manager or Portfolio Administrator, who will request a check be issued to the Client for an appropriate refund. If an advisory contract is terminated, quarterly fees will be pro-rated for the number of days in the quarter for which management services were provided.

Clients should be aware that similar or comparable services may be available from other firms including other investment management firms at a cost higher or lower than that available through us.

Typically, all of Patten's Covered Associates (i.e., Principals, Portfolio Managers, staff members, or any employee) as well as those qualified Related Persons keep their personal accounts at Patten. Patten does not charge a management fee on these particular accounts. However, numerous restrictions are placed on these accounts in an effort to maintain Patten's fiduciary duty to its Clients. Reports are generated daily, monthly, quarterly, and annually to monitor all transactions and activities, to the best of Patten's ability. Please refer to *Patten's Code of Ethics, Participation or Interest in Client Transactions and Personal Trading* (p.18) for additional information.

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Performance Based Fees and Side-By-Side Management

Patten does not charge performance based fees.

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Types of Clients

Patten typically provides investment advice to individuals, trusts, organizations and a limited number of pension or organizational retirement plans. Typically, Patten requires a minimum of \$500,000 for the opening of an individual Client account. Pension and profit sharing plans with a high rate of funding (continuous investment of new funds) require a minimum of \$300,000. However, the Principals of Patten may, at their discretion, make exceptions to the minimum account size for any account that is opened.

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Methods of Analysis, Investment Strategies and Risk of Loss

As an Investment Adviser, Patten acknowledges its fiduciary responsibilities and obligations. As fiduciaries, the Firm appreciates that it will be held to a standard of prudence.

Methods of Analysis

Patten's approach to research is independent and thorough. Patten practices Modern Portfolio Theory, which emphasizes diversification and accounting for expected risk as well as expected return. The primary valuation methodology is discounted cash flow. Patten obtains information on companies from numerous independent sources including SEC filings, industry reports, and consultants. Patten seeks to visit publicly-held companies whenever possible, and makes efforts to see numerous management teams at investor conferences. Patten generally does not invest in a company until one of the Firm's professionals has completed due diligence and demonstrated a comprehensive understanding of the company's fundamentals. Identification of "macro" or secular trends involves the study of demographic trends, business model dynamics, and sector forces that could have an impact on a particular company's fundamentals. Moreover, secular trends have significant influence over asset allocation decisions.

Risk of Loss

Through a comprehensive and consultative initial review process, Patten works with each Client to determine investment objective and assess risk tolerance. During this process, Patten typically makes a recommendation to the Client with respect to asset allocation. In general, Patten recommends to all its Clients the exclusive use of high quality equity securities – i.e., the stocks of well capitalized companies -- and "high grade" bonds (rated at least "A" by one of the major agencies). Occasionally, Patten will deviate from these parameters; however, such instances will usually be derived from the particular interests of a Client.

Patten is a long-term investor that actively searches for a mix of securities within each asset class that should outperform its peers, given the overall market/economic outlook. Patten does not attempt to time markets, nor does the Firm attempt to "ride" short-term waves of momentum. Patten does not engage in trading strategies that emphasize excessive turnover of Client portfolios or frequent transactions. Patten counsels all Clients with respect to the potential for both return and risk with all capital investments. Patten believes that its approach to investment management does not entail any unusual risks or risks beyond the normal scope of investment in capital markets. The Firm acknowledges that return and risk are generally and inextricably linked. Return and risk tend to exhibit high positive correlations – i.e., higher return assets tend to possess higher risk profiles.

Please Note: Investing in securities such as the types of securities used by Patten in managing your assets or providing you investment advice involves the potential risk of loss in the value of the securities both in the amount invested in the securities as well as any profits which have not

been realized by selling the securities. You should be prepared to bear the risk of such losses. The degree of risk depends upon the type of security or strategy involved.

Investment Strategies

Patten believes that the initial focus of an investment management relationship should be on the determination of required return. This return incorporates the risk tolerance of the Client and attempts to account for both current and future financial needs (i.e., any annual distributable income thresholds). Patten then seeks to make decisions to achieve a target return that exceeds the required return. In this manner, the needs/objectives of the Client are satisfied without the assumption of undue risk. Moreover, if there is a current income requirement, the principal of the portfolio(s) could be preserved and permitted to grow long term.

Patten primarily utilizes common stocks, individual bonds (e.g., US Treasury Notes and Bonds, Federal Agency Notes, High Grade Corporate bonds), and the ADRs (American Depositary Receipts) of certain foreign issuers. Patten's expertise lies in managing large capitalization equity portfolios oriented toward "core" stocks purchased at reasonable valuations; accounts with a balanced/blended objective; and actively managed fixed-income portfolios that do not assume credit risk.

Patten is a "Top Down/Bottoms Up" manager in that extensive review and monitoring of broad economic/market indicators is first performed to identify asset classes and industry groups to overweight and underweight. Within that context, the Firm then performs detailed fundamental financial analysis to assess the relative value of certain securities. Patten recognizes that investing works best when viewed as a marathon, as opposed to a sprint.

Patten defines "core" equity investing as a combination of both growth and value stocks. A "core" style implies that investment decisions remain disciplined with regard to fundamentals. Portfolios managed in this style are designed to provide for conservative long-term growth, emphasizing low relative turnover and volatility below that of the benchmark. Lower turnover should result in lower relative expenses associated with an active management strategy. Over time, Patten believes this approach enhances the net returns to investors.

The Firm believes that fixed income securities should offer security of principal, predictability of income and reasonable returns relative to inflation. High quality, readily marketable long term bonds typically anchor the fixed income portion of accounts under the Firm's management. Most of the Firm's Clients seek to minimize credit risk, and generally bonds in which we invest are rated "A" or better. This approach to bond management incorporates the belief that there should be some staggering of maturities at all times to assure continuity of income, and the average duration of bond portfolios should fall within a range of 2 to 10 years. However, Patten sets duration depending on the outlook for interest rates, the objectives of the Client, and the relative level of risk. Patten uses both a buy and hold strategy and active management of bond portfolios.

For sectors that complement the Firm's general style, Patten could also include Exchange Traded Funds ("ETFs"). ETFs are stock exchange-listed index funds that come in several varieties. They are cost effective (i.e., management fees are typically 0.25 – 0.375%), and they trade like common stocks. ETFs offer instant diversification and a passive means of investing in sectors for which the use of individual securities might prove inappropriate. For example, ETFs would be included in an allocation to international equities, small cap stocks, and various commodities sectors.

After establishing an initial set of investment parameters, Patten generally seeks discretion from the Client to implement the strategy in the open market. Strict adherence to policy guidelines is an integral aspect of Patten's approach. Over short time frames, however, market conditions often create volatility associated with the expected returns for certain asset classes. In such instances, Patten advises its Clients that a dynamic approach is warranted – i.e., an approach that preserves the principal of a portfolio and/or takes advantage of short-term opportunities. These adjustments should occur in the overall context of maintaining an orientation that should provide for the long-term return goals and remain within established risk parameters.

Given the current low interest rate environment, Patten generally recommends that portfolios be managed from a total return perspective. This method fulfills any current or required distributions from a combination of realized gains and interest income. Further, Patten advocates a dynamic, balanced approach with regard to asset allocation. If market rates are sufficiently high, for example, such that income distributions could be satisfied from the bond market without assumption of undue credit/interest rate risk, the Firm would favor orienting enough assets to satisfy this requirement and would orient the balance to growth assets. Allocation decisions will be made in the context of a forecast for all markets. If rates are expected to rise and there is higher risk of a loss of principal in the bond market, then Patten would recommend reducing exposure in this market. Conversely, in a high rate environment and one in which rates are expected to fall, the Firm would favor increasing the allocation to the bond market.

Patten employs the use of put or call options in Client accounts where the Client has given express written permission to do so. This strategy can be used to hedge against market volatility or to protect Clients with concentrated holdings from large market shifts.

Patten manages Client portfolios to provide for conservative long-term growth, emphasizing low relative turnover and volatility below that of the benchmark. Lower turnover should result in lower relative expenses (e.g., transaction costs and potential tax liabilities) associated with an active management strategy. Over time, Patten believes this approach enhances the net returns to investors.

Patten generally does not recommend specific securities. It is quite common, however, for Clients to inquire about certain securities. Patten exercises great diligence in responding to such Client requests for information in a prompt and comprehensive manner. This typically

involves sharing internal/proprietary reports, memos, financial models, and other research. It might also include providing research reports obtained from industry consultants, analysts, and academics. All research tends to detail the relevant risk factors associated with a particular investment.

On occasion, Patten, through its clearing/custodial firm relationships, may have limited access to Initial Public Offering (“IPO”) shares. Except with respect to the limited exceptions noted below, Patten generally does not purchase and/or recommend for purchase IPO’s for its individual Client accounts. The limited exception to the above policy is: (1) for initial public offerings of large recognized company securities (i.e. UPS, Google, etc.), and only to the extent that: (a) Patten first determines such IPO is suitable for its Clients; and, (b) the IPO is available through its existing clearing/custodial firm relationships; or (2) for those individual Clients of Patten who, on a completely unsolicited basis, contact Patten to request that Patten purchase a specific IPO for his/her/their/its account, to the extent same has been made available to Patten. In the event of any such unsolicited request(s), Patten, after first determining that the Client is qualified for such specific IPO (i.e., suitable for the Client relative to the Client’s investment objectives, financial situation and current asset allocation), may (to the extent possible under the circumstances) purchase such IPO on a pro-rata basis with other unsolicited Client requests. To the extent possible, Patten will use reasonable efforts to allocate available IPO shares on a fair and equitable basis in accordance with the terms and conditions of the aforementioned policy.

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Disciplinary Information

No Principal, Portfolio Manager, or Covered Associate of Patten has been subject to any legal or disciplinary action related to investment business in the past ten (10) years.

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Other Financial Industry Activities and Affiliations

Patten has some relationships or arrangements that are material to the advisory business that may create a conflict of interest for Clients. Should any conflict arise, it is Patten's fiduciary duty to place the Client's interests first.

Limited Partnerships

Patten is also an investment adviser to certain single purpose, limited partnerships or general partnerships, which it recommended to certain qualified investors/Clients. Compensation for services to these partnerships can be an annual fee typically .5% of the total contributions paid by the partnership investors. Certain related individuals and/or a family member are members in one or more of these partnerships. Additionally, Patten's Profit Sharing Plan is an investor in one or more of the partnerships.

These partnerships include the following:

P&P River II Associates, L.P.

P&P River III Associates, L.P.

P&P Port Royal Investors, L.P.

P&P SSF, LLC

Please Note: Private investment funds generally involve various risk factors and liquidity constraints, a complete discussion of which is set forth in each fund's offering documents, which is provided to each Client for review and consideration. Each Prospective Client or investor is required to complete a Subscription Agreement, pursuant to which the Client or investor shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

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

Code of Ethics

On February 1, 2005, the SEC required all Registered Investment Advisers to comply with the newly adopted Rule 204A-1 (Code of Ethics Rule). Patten developed, implemented, and enforces the firm's Code of Ethics and Conduct, including but not limited to the following: 1) the CFA Institute's Code of Ethics and Standards of Professional Conduct; 2) the standard of conduct required by Patten and compliance with all Federal laws by ALL employees (Covered Associates); 3) personal securities; 4) reporting of compliance violations and the proper recording of each; 5) distribution and acknowledgment of the Code of Ethics and Conduct to and by ALL employees (Covered Associates); 6) protection of material non-public information; and 7) proper disclosure of the Code of Ethics and Conduct. A copy of Patten's Code of Ethics and Conduct is available upon written request.

Participation or Interest in Client Transactions

As mentioned earlier, Patten is also an investment adviser to certain single purpose, limited partnerships or general partnerships, which it has recommended to certain qualified investors/Clients (please see p. 15, *Limited Partnerships*). Certain related individuals and/or a family member are members in one or more of these partnerships. Additionally, Patten's Profit Sharing Plan is an investor in one or more of the partnerships. Currently, there is no known apparent conflict of interest. Should one arise, it's Patten's fiduciary duty to place the Client's interest first.

Patten Personal Trading Policy

Patten has implemented an investment policy relative to personal securities transactions. This investment policy is part of Patten's overall Code of Ethics and Conduct which serves to establish a standard of business conduct for all of Patten's Covered Associates (which includes all employees) that is based upon fundamental principles of openness, integrity, honesty and trust.

No Covered Associate may purchase or sell any covered security without first obtaining prior clearance from the CCO. The CCO may reject any proposed trade by a Covered Associate that: (a) involves a security that is being purchased or sold by Patten on behalf of any advisory Client; (b) is otherwise prohibited under any internal policies of Patten; (c) breaches the Covered Associate's fiduciary duty to any advisory Client; (d) is otherwise inconsistent with applicable law, including the Advisers Act and the Employee Retirement Income Security Act of 1974; or (e) creates a conflict of interest or an appearance thereof.

Potential Conflicts in Trading by Patten Staff or Related Persons

Patten's Covered Associates and any related persons are permitted to invest in the same securities, warrants, options or futures that Patten recommends to Clients and often will invest in these securities at or about the same time as the Clients. Patten's Covered Associates and related persons are not permitted to receive better execution prices of securities purchased on

the same day as any of Patten's Clients. In order to avoid any potential conflict of interest between Patten and its Clients, securities transactions for the accounts of Covered Associates in the same security as that purchased or sold for advisory accounts or any fund managed by Patten, should be entered only after completion of all reasonably anticipated trading in that security for those accounts on any given day. Typically these transactions will occur in the last hour of trading during each trading day. However, if after completion of all anticipated trading for Client accounts, a trade is executed for a Covered Associates or a Related Person's personal account on that same day at a price better than that received by the Client, the Covered Associate or Trader must notify the CCO who will prepare a memorandum detailing the circumstances of the transaction. If after reviewing the transaction, the CCO determines that a potential conflict of interest exists, he/she shall have the authority to make any necessary adjustments, including canceling and re-billing the transaction to such other account(s) as appropriate. Such memoranda and any corrective action taken will be recorded and maintained in Patten's compliance files.

On occasion, Patten will buy or sell large blocks of fixed income securities. These transactions will sometimes include the personal accounts of Patten, its Covered Associates, or Related Persons along with Clients of Patten. When this happens, all of the accounts receive the same execution price.

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Brokerage Practices

Selecting Broker-Dealers for Client Transactions

Patten may recommend brokers-dealers on the basis of the services provided to its Clients and commission rates which may be available. The Portfolio Managers periodically review comparable rates and services available at various broker-dealers to determine the reasonableness of fees. Inasmuch as most broker-dealers (except internet brokers) do not advertise their "standard" rates, Patten makes a reasonable effort to determine the most competitive rates available to our Clients. However, the Client should understand that the commission rate quoted by the broker-dealer and the actual rate available to the Client are often a function of the size of the Client's account and the anticipated trading activity in the account. Trades that are executed through a broker-dealer other than the Client's custodian are referred to as "traded away."

Brokerage for Client Referrals

Patten does not direct any Client transactions to any specific broker-dealer based on referrals.

Client Selected Broker-Dealers ("Directed Brokers")

The Client may direct Patten to use a particular broker-dealer (subject to Patten's right to decline and/or terminate the engagement) to execute some or all transactions for the Client's account(s). This could include the Client selecting a custodian which also acts as a broker-dealer for the account. In such an event, the Client will negotiate terms and arrangements for the account(s) with that broker-dealer, and Patten will not seek better execution services or prices from other broker-dealers or be able to bunch, block, or aggregate the Client's transactions for execution through other broker-dealers with orders for other accounts managed by Patten. As a result, the Client correspondingly acknowledges that such direction may cause the account(s) to incur higher commissions or transaction costs than the account(s) would otherwise incur had the Client determined to effect account transactions through alternative clearing arrangements that may be available through Patten.

In the event that the transactions for a Client's account(s) are effected through a broker-dealer that refers investment management Clients to Patten, there exists the potential for conflict of interest if the accounts incur higher commission or transaction costs than the accounts would otherwise have incurred had the Client determined to effect account transactions through alternative clearing arrangements that may have been available through Patten.

In the event that Patten is engaged to provide investment management services as part of an unaffiliated wrap-fee program, Patten will be unable to negotiate commissions and/or transaction costs. Under a wrap program, the wrap program sponsor arranges for the investor participant to receive investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified fee. Participation in a wrap program may cost the participant more or less than purchasing such services separately. If the program is offered on a non-wrap basis, the program sponsor will determine the broker-dealer

though which transactions must be effected, and the amount of transaction fees and/or commissions to be charged to the participant investor accounts.

Best Execution

As a fiduciary, Patten is under a duty to negotiate the most favorable commission rate available for its Clients, under the circumstances. Unless the Client directs Patten to use a particular registered representative or brokerage firm and NOT negotiate commission rates, Patten makes its best effort to negotiate the most favorable rates based on the size and the anticipated trading activity in the Client's account. If a Client insists on a particular registered representative or broker-dealer, Patten recommends that the Client negotiate the most competitive rate available for his/her account.

The Portfolio Managers at Patten may, for a number of reasons, bunch, block, or aggregate brokerage orders for their Clients rather than execute individual trades. These reasons include: 1) obtaining lower commission rates; 2) avoiding the time and expense of simultaneously entering similar orders for many individual Client accounts that are managed similarly; and 3) ensuring that all accounts managed in a particular style obtain the same execution to minimize differences in performance. However, Clients may request, in writing, that his/her trades not be included in a consolidation order. This most commonly occurs when the Client directs Patten to use a particular registered representative or broker-dealer ("directed broker").

Consistent with Patten's fiduciary responsibility to seek "Best Execution", the Portfolio Managers aggregate Client orders whenever possible, unless the Client requests (in writing) otherwise. The procedures described below are designed to ensure that purchase and/or sell orders which have been aggregated are allocated fairly among Clients so that, over time, all Clients are treated equitably and consistent with their investment objectives.

An order filled through a series of executions through the same broker-dealer on the same term (e.g., market or limit order) on the same day should generally be allocated using an average price. Once an order is filled, subsequent orders for the same security on the same day will not be averaged with the filled order for allocation purposes.

Portfolio Managers should make a preliminary allocation before execution. As a general policy, the allocation should be finalized no later than the close of business on trade day.

When an aggregated order is filled in its entirety, the order will be allocated to participating accounts in accordance with the preliminary allocation schedule. Deviations from the preliminary allocation and the justification for such should be documented, in writing, by the respective Portfolio Manager. An order is deemed "filled in its entirety" even if it takes more than a single day to complete the entire transaction, so long as there is a reasonable expectation that the order will be filled within a reasonable period. In such cases, the portion of the order completed each day ordinarily will be allocated in accordance with the preliminary allocation schedule.

When an aggregated order is only partially filled (and there is not a reasonable expectation that the entire transaction will be completed in a reasonable period), the order will, generally, be allocated among the participating Clients on an objective basis, as follows:

When the portion of the partially filled order that may be allocated to a participating account is such that after the allocation, the account's holdings of the security would fall below the account's target weighting, the account will not be allocated any portion of the order. In the event that the allocation of a partially filled order would cause holdings for all participating accounts to fall below target weighting, the entire order may be allocated to a single account. The account that receives such an allocation will be rotated so as to achieve equity in distribution over time.

Research and other Soft Dollar Benefits

Patten receives access to institutional research material (including written reports, access to analysts, and attendance in conferences), investment information, and various quantitative, analytical software or software that provides analysis of securities portfolios and research information from different brokerage firms. Some of this material is paid, in part, by our Client brokerage commissions - a practice known as "soft dollar" transactions. However, Patten's use of soft dollars to obtain research and other investment services does not necessarily result in any material additional commission rates to our Clients. The information and research material gathered through the use of soft dollar products benefit our Clients, as a group, and the commission rates that the Client pays depend upon the size of the trades and the custodian of the account. Basic fiduciary principles allow Patten to use soft dollar transactions provided such transactions conform to Patten's duty to seek best execution for all of our Clients.

Although not a material consideration when determining whether to recommend that a Client utilize the services of a particular custodian, Patten may receive (from the custodian), without cost and/or at a discount, support services and/or products, certain of which assist Patten to better monitor and service Client accounts maintained at such institutions. Included within the support services might be investment-related research; pricing information and market data; software and other technology that provide access to Client account data; compliance and/or practice management-related publications; discounted or gratis consulting services; discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events; marketing support; computer hardware and/or software; and/or other products used by Patten in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and products that may be received might assist Patten in managing and administering Client accounts. Other services and product do not directly provide such assistance, but rather assist Patten to manage and further develop its business enterprise.

Patten has an established Soft Dollar Committee ("SDC") that meets periodically to discuss and determine the appropriate allocation of soft dollars from the various institutions. Established for direct benefit of our Clients to ensure proper allocation, the SDC determines whether the

products obtained are used for proprietary/third party research or for mixed-use purposes (e.g., business enterprise, portfolio management or other non-research related items). Patten relies heavily on in-house research generated by its Portfolio Managers and Research Analysts. Based on the most recent annual determination by the SDC, Patten's mixed-use allocation is 93% to research, with the balance (7%) for non-research purposes. This mixed-use percentage (7%) is applied to the total amount of soft dollar products received during a calendar year and is reimbursed to the vendor from Patten's operational account.

The SDC is fully aware of its fiduciary obligations, as well as its duty to seek best execution for Patten's Clients. The SDC may recommend to the Portfolio Managers if any specific broker-dealer should be utilized more than others, as long as there is no disadvantage to the Client. Portfolio Managers make the final decisions as to where Client trades are placed.

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Review of Accounts

Investment supervisory responsibility is assigned to the Portfolio Manager ("PM") who holds the CFA designation and has a minimum of five (5) years in the investment field. Currently there are six (6) PM's. The PM is responsible for portfolio management, client contact, as well as full and total supervision of the account. A PM continues to have accounts assigned until Patten's Investment Committee determines that the PM is no longer able to satisfactorily meet his/her fiduciary responsibilities.

The Portfolio Manager's review each of their Client's accounts at least quarterly but typically more frequently. The sequence in which a review occurs is affected by: 1) the amount of discretion granted by the Client; 2) monthly review cycles; and 3) the availability of the Client. Factors triggering reviews include, but are not limited to: 1) bond maturities necessitating reinvestment recommendations; 2) significant movement in individual stocks or market levels; 3) economic developments; 4) fundamental developments in holdings; 5) contact from Clients; and 6) development of new investment ideas and/or strategies.

These reviews consist of the evaluation of the accounts performance against established benchmark indices, evaluation of the portfolio as compared to the Client's *Statement of Investment Objectives and Policy Guidelines*, and evaluating areas where investment changes could be made. Accounts are also reviewed in preparation for Client meetings, at the request of the Client, or under circumstances where a particular asset or class of assets may warrant a review of all accounts which hold the asset.

Client meetings typically cover: 1) investment results of the latest quarter, as well as year to date results; 2) administrative issues or topics; 3) economic developments; 4) company fundamentals; and 5) recommendations for the coming quarter.

Client reports are generated by Advent's APX (a portfolio management and accounting software) and are prepared quarterly and mailed (or emailed) to all Clients. Reports can be generated more frequently if desired. Typically both the Quarter-end and Client meeting reports contain the following reports: Portfolio Summary; Portfolio Appraisal; Contribution and Withdrawals; Realized Gains and Losses; and Portfolio Performance. Additional reports for a Client meeting may be generated at the discretion of the individual PM.

The Client should also receive written reports/statements directly from their custodian concerning their account(s) which generally contain information relating to all transactions and other account activity.

Please Note: All Clients are advised that it remains their responsibility to advise Patten of any changes in their investment objectives and/or financial situation. All Clients are encouraged to review investment objectives and account performance with Patten on an annual basis.

Client Referrals and Other Compensation

Schwab Advisor Network

Patten has entered into an agreement with Charles Schwab & Company, Inc. ("Schwab"), an independent and unaffiliated FINRA-registered broker-dealer, to participate in the Schwab Advisor Network ("SAN"), which is an advisor referral service designed to help investors find an independent, professional investment manager. Schwab does not supervise Patten and has no responsibility for Patten's management of a Client's portfolio(s) or Patten's other advice or services. Patten pays Schwab fees to receive Client referrals through SAN. Patten's participation in SAN may raise potential conflicts of interest described below.

Patten pays Schwab a participation fee on all referred Client accounts that are maintained in custody at Schwab and a non-Schwab Custody Fee on all accounts that are maintained at, or transferred to another custodian. Accounts placed in custody at either the Portfolio Manager's or Client's discretion do not pay a participation fee. The participation fee paid by Patten is a percentage of the value of the assets in the Client account(s). Patten pays Schwab the participation fee for so long as the referred Client's account(s) remains in custody at Schwab. The participation is billed to Patten quarterly and may be increased, decreased, or waived by Schwab, from time to time. The participation fee is paid by Patten, not by the Client. Patten has agreed not to charge a Client referred through SAN fees or costs greater than the fees or costs charged to Clients with similar portfolios that were not referred through SAN.

Patten generally pays Schwab a non-Schwab custody fee if custody of a referred Client account(s) is not maintained by Schwab, or if assets in the referred account(s) are transferred from Schwab. The fee is not applicable if the Client was solely responsible for the decision not to maintain custody at Schwab. The non-Schwab custody fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The non-Schwab custody fee is higher than the participation fee that Patten generally would pay in a single year. Thus, Patten has an incentive to recommend that referring Client accounts be held in custody at Schwab.

The Schwab participation fee and non-Schwab custody fee are based on assets in the Client account(s) who were referred by Schwab, as well as their family members living in the same household. Thus, Patten has an incentive to encourage household members of Clients referred through SAN to maintain custody of their account(s) and execute transactions at Schwab. Additionally the referred Client is encouraged to instruct Schwab to debit Patten's fees directly from their account. Patten's Clients do not pay more for investment transactions effected and/or assets maintained at Schwab (or any other broker-dealer/custodian) as result of this arrangement. There is no corresponding commitment made by Patten to Schwab (or any other any entity) to invest any specific amount or percentage of Client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

Other Referrals

If the Client is introduced to Patten by either an unaffiliated or an affiliated solicitor, Patten may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from Patten's investment management fee, and shall not result in any additional charge to the Client. Currently, Patten does not provide economic benefit or compensation to any non Covered Associate for Client referrals.

Currently, Patten does provide of portion of Client's management fees to Covered Associates for Client referrals. Any additional compensation, or referral fee, is paid solely from Patten's investment management fee, and does not result in any additional charge to the Client.

Please refer to an earlier section, *Brokerage Practices* (p. 19), in this brochure for information on other economic benefits Patten may receive for providing services to its Clients.

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Custody

Patten elects to use independent, third-party, qualified custodians and does not custody any Client's funds or securities.

Patten's custodians typically generate monthly account statements (but no less than quarterly) while Patten generates Client statements, no less than quarterly. Patten urges all of its Clients to carefully review and compare both statements for transaction and balance accuracy.

Clients should also remember that the account statements received from their custodian are the official record of their accounts and assets for tax purpose, too.

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Investment Discretion

Clients may choose to give Patten discretionary authority to manage their account(s). Patten assumes this authority through the execution of the *Letter of Agreement* signed by both the Client and the Portfolio Manager or a representative of Patten.

Clients may impose restrictions on investing in certain securities, types of securities, or with regard to investment strategies. A Client should set forth these restrictions, in writing, after a discussion with the Portfolio Manager.

Clients may also decline to grant Patten discretionary authority via the Letter of Agreement, under which any changes to the account must be pre-approved by the Client. However, the Client should be aware that withholding discretionary authority of Patten may result in delayed execution of trades, when and where pre-approval is being sought.

Please refer to an earlier section, *Advisory Business* (p.4), for additional explanation.

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Voting Client Securities

Patten generally does not vote Client proxies.

In the event that a Client requests, in writing, that Patten vote proxies (which is subject to a separate administrative fee), Patten will do so in conjunction with the proxy voting due diligence and administrative services provided by a third-party, unaffiliated proxy service. Patten, in conjunction with this service provider as well as an independent, third-party provider of proxy advice, shall be responsible for (1) determining the manner in which proxies solicited by issuers of securities beneficially owned by the Client shall be voted, and (2) making all elections relative to any mergers, acquisitions, and tender offers.

Patten and/or the Client shall correspondingly instruct each custodian to forward to Patten copies of all proxies and shareholder communications (except for legal proceedings).

Patten, in conjunction with the proxy voting due diligence provided by the third-party, shall monitor corporate actions of individual issuers and investment companies consistent with Patten's fiduciary duty to vote proxies in the best interests of its Clients. With respect to individual issuers, Patten may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), Patten may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. Patten shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c)(2) under the Advisers Act. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. Patten's Policies and Procedures on Proxy Voting are also available upon written request. Additionally, information pertaining to how Patten voted on any specific proxy issue is also available upon written request.

Identification and Resolution of Conflicts of Interest

Patten must determine whether it has a relationship with any company whose stock is held in a Client portfolio which might constitute an actual or perceived conflict of interest. A conflict of interest may arise if Patten provides services to the company, such as advising the company's retirement or other benefit plans or if it provides investment advisory services to senior executives or directors of the company. A conflict of interest may arise if any of Patten's Covered Associates have a family or other personal relationship with any of the Firm's key management or Principals.

When Patten has identified that an actual or perceived conflict of interest exists relative to its voting of proxies, the Firm shall do one or more of the following:

- (a) Notify the affected Clients of the conflict of interest to obtain their written consent before voting.

- (b) Establish with the Client predetermined voting policies.
- (c) Follow the recommendation of an independent third party or proxy service provider.
- (d) Follow the directions of the Client.

Should a Client, who previously instructed Patten to vote on their behalf, want to direct a proxy vote in a particular situation, they must inform Patten, in writing, as soon as possible.

Please note: The Client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the asset in the account(s)/portfolio(s), including, but not limited to, corporate litigation (i.e. class action lawsuits). In the event that the Client seeks assistance with such matters, such assistance could be subject to a separate administrative fee.

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Financial Information

There are no existing financial conditions that impair our ability to meet any current contractual commitments.

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