

## **Form ADV Part 2A: Disclosure Brochure**

# **Patricia A. Heath & Associates, Inc.**

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January 30, 2012

This brochure provides information about the qualifications and business practices of P.A. Heath & Associates, Inc. doing business as Patricia A. Heath & Associates, Inc. If you have any questions about the contents of this brochure, please contact us at (847) 446-9920. 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.

Additional information about Patricia A. Heath & Associates, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Patricia A. Heath & Associates, Inc. is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Item 2 Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Generally, Patricia A. Heath & Associates, Inc. will notify its clients of material changes on an annual basis. However, where the firm determines that an interim notification is either meaningful or required, the firm will notify its clients promptly. In either case, Patricia A. Heath & Associates, Inc. will notify its clients in a separate document.

### Item 3 Table of Contents

Item 2	Material Changes .....	ii
Item 3	Table of Contents .....	iii
Item 4	Advisory Business .....	1
Item 5	Fees and Compensation .....	2
Item 6	Performance-Based Fees and Side-By-Side Management .....	3
Item 7	Types of Clients .....	3
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss .....	3
Item 9	Disciplinary Information .....	5
Item 10	Other Financial Industry Activities and Affiliations .....	5
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading ...	5
Item 12	Brokerage Practices .....	6
Item 13	Review of Accounts .....	6
Item 14	Client Referrals and Other Compensation .....	7
Item 15	Custody .....	7
Item 16	Investment Discretion .....	7
Item 17	Voting Client Securities .....	7
Item 18	Financial Information .....	8
Item 20	Additional Information .....	8

## Item 4 Advisory Business

### **Description of Services and Fees**

Patricia A. Heath & Associates, Inc. is a registered investment adviser based in Northfield, Illinois and organized as a corporation under the laws of the State of Illinois. The company was incorporated in January 2000. Patricia A. Heath is the principal owner. Ms. Heath has been providing investment advisory services since 1990.

The following paragraphs describe the services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor these services to your individual needs. As used in this brochure, the words “we”, “our” and “us” refer to our firm and the words “you”, “your” and “client” refer to you, as either a client or prospective client of our firm.

### **Asset Management Services**

We offer discretionary and non-discretionary asset management services. Our investment advice is tailored to meet our clients’ needs and investment objectives. We gather information about your investment goals, risk tolerance, suitability, age and income needs, tax bracket, prior experience, and any other relevant factors we use construct an investment portfolio that we implement for you.

If you choose discretionary asset management services, you allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing. If you choose non-discretionary asset management services, we will obtain your approval prior to executing any transactions on behalf of your account(s).

Our fees are based on a percentage of assets under management. We primarily offer fixed rates between 1.0% and 2.0%. We also offer blended rates based on the following fee schedule: 2.0% annualized on the first \$200,000; 1.5% annualized on the next \$300,000; and 1.0% annualized on amounts over \$500,000. Our advisory fees are negotiable based on factors such as your the amount of assets under management, and the complexity of services provided.

Our fee is annual. It is billed and payable quarterly in advance based on the value of your account at the end of the previous quarter.

If the fee agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client.

Fees are typically deducted directly from your account through the qualified custodian holding your funds or securities (Pershing or other qualified custodian) provided we obtain your written authorization to deduct our fee from your account. At the discretion of our firm President, you may pay advisory fees directly to our firm. If you pay directly, payment is due upon receipt of our billing statement. The qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account, including the amount of the advisory fee deducted directly from the account. You should review all statements for accuracy.

You may terminate the advisory agreement upon notice to our firm. Termination will be effective upon receipt of notification. If services are terminated within five business days of executing the advisory agreement, you will receive a refund of all pre-paid fees. If services are terminated after the initial five-day period, you will incur a fee for the number of days for which you are a client and receive a prorated refund for the days that you are not a client.

We encourage you to review the statement(s) you receive from the qualified custodian. If you find any inconsistent information, please call us at (847) 446-9920 (the main office number located on the cover page of this brochure).

### **Financial Planning Services**

We offer financial planning services in the form of consultations and written financial plans. Financial planning services can include, but are not limited to, the following areas of concern: educational and college planning, retirement planning, funding and distribution, estate planning, business planning, and individualized personal planning.

Fees for initial financial planning services are billed at an hourly rate ranging from \$100 to \$250 with a minimum fee of \$500. The hourly rate charged will depend upon the complexity of your situation and the actual services to be provided. Fees are due and payable upon presentation of the written financial plan or completion of the consultation services. An estimate of the amount of hours needed to complete financial planning services, the hourly fee that will be charged, and the terms of payment will be disclosed and agreed upon prior to any services being provided. If we determine that the total cost will exceed the maximum amount quoted, we will contact you for authorization to provide additional services. At no time will you be required to pay more than \$1,200 in advance for services not performed within six months.

We perform financial planning services and work closely with you to fine-tune the plan to match your needs and objectives. You are not obligated to act on our financial planning recommendations at all should you choose not to. If you elect to act on our financial planning recommendations through our firm, we will implement the recommendations through our asset management services described above. Any adjustment to the financial planning fee is at our sole discretion and it will be disclosed to you prior to implementing transactions. Clients with asset management accounts will receive on-going updates and reviews to their financial plan at no additional fee.

If you do not implement recommendations made as part of financial planning services, the financial planning services terminate upon presentation of the written plan or completion of the consultation services. Prior to presentation of the written plan or completion of the consultation services, you may terminate financial planning services at any time by providing us with notice. If services are terminated within five business days of agreeing to such services, no fees shall be due. After the initial five business day period and prior to presentation of the plan, the fee will be pro-rated based on the amount of time expended by our firm prior to receipt of the cancellation notice, and billed to you.

Financial plans are based on your financial situation at the time we present the plan to you, and on the financial information you provide to our firm. You must promptly notify our firm if your financial situation, goals, objectives, or any other needs affecting your financial picture change.

### **Wrap Fee Programs**

We do not provide or sponsor any wrap fee programs at the present time.

### **Assets Under Management**

As January 27, 2012, we manage \$44,595,127 in client assets on a discretionary basis. Currently, we do not manage any assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

Please refer to the "Advisory Business" section in this brochure for information on our advisory fees, fee deduction arrangements, and refund policy according to each service we offer.

### **Additional Fees and Expenses**

You may incur additional fees by investing in exchange traded funds or mutual funds that are professionally managed. The fees that you pay to our firm for investment advisory services are separate

and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or ticket charges/brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this brochure.

## Item 6 Performance-Based Fees and Side-By-Side Management

We do not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## Item 7 Types of Clients

We offer investment advisory services to individuals, high net worth individuals, small companies, and 401k and/or pension plans.

In general, we require a minimum of \$100,000 to open and maintain an asset management account. At the discretion of our firm's President, we may waive this minimum account size.

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

### **Our Methods of Analysis and Investment Strategies**

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- **Fundamental Analysis** – involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.
  - *Risk:* The risk of fundamental analysis is that information obtained may be incorrect or incomplete and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.
- **Technical Analysis** – involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.
  - *Risk:* The risk of market timing based on technical analysis is that our analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

- Long Term Purchases – securities purchased with the expectation that the value of those securities will grow or mature over a relatively long period of time, generally greater than one year.
  - *Risk:* Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in, or perhaps just your particular investment, will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - “locking-up” assets that may be better utilized in the short-term in other investments. Bonds fluctuate with interest rates (as rates increase, bond values decline) that may affect a long term purchase.
- Short Term Purchases – securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities’ short-term price fluctuations.
  - *Risk:* Using a short-term purchase strategy generally assumes that we can predict how financial markets will perform in the short-term which may be very difficult and may incur a disproportionately higher amount of transaction costs compared to long-term trading. There are many factors that can affect financial market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of time.

In limited circumstances, we may use short-term trading (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing your account(s). Short-term trading is not a fundamental part of our overall investment strategy, but we may use this strategy occasionally when we determine that it is suitable given your stated investment objectives and tolerance for risk.

Our investment strategies and advice may vary depending upon each client’s specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the FIFO (First-In First-Out) accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### **Recommendation of Particular Types of Securities**

We are a full service firm providing advice on any type of investment suitable to your particular needs, goals, and objectives. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

### **Item 9 Disciplinary Information**

Patricia A. Heath has been providing investment advisory services since 1990. Neither Patricia Heath nor our firm has any reportable disciplinary information.

### **Item 10 Other Financial Industry Activities and Affiliations**

We do not have any relationship or arrangement that is material to our advisory business or to our clients with any of the types of entities listed below.

1. broker-dealer, municipal securities dealer, or government securities dealer or broker
2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)
3. other investment adviser or financial planner
4. futures commission merchant, commodity pool operator, or commodity trading advisor
5. banking or thrift institution
6. accountant or accounting firm
7. lawyer or law firm
8. insurance company or agency
9. pension consultant
10. real estate broker or dealer
11. sponsor or syndicator of limited partnerships

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

#### **Description of Our Code of Ethics**

Section 204A-1 of the *Investment Advisers Act of 1940* requires all investment advisers to establish, maintain and enforce a Code of Ethics. We have established a Code of Ethics that will apply to all of our employees. An investment adviser is considered a fiduciary according to the *Investment Advisers Act of 1940*. As a fiduciary, it is our responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. This fiduciary duty is considered the core underlying principle for our Code of Ethics which also covers our Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our employees to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all employees will sign an acknowledgement that they have read, understand and agree to comply with the advisor's Code of Ethics. We have the responsibility to make sure that the interests of all clients are placed ahead of our, and our employees', own investment interest. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to any services being conducted. Our firm and our employees persons must conduct business in an honest, ethical and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients.



This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, we will provide a copy promptly upon request. You may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

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

Neither our firm nor any persons associated with our firm has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. It is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities thereby preventing our firm and persons associated with our firm from benefitting from transactions placed on behalf of our clients' accounts.

## **Item 12      Brokerage Practices**

Clients wishing to implement the advice provided in conjunction with financial planning services are free to select any broker/dealer they wish. For clients that use our asset management services, we recommend the brokerage and custodial services of Pershing, LLC, among others. Our recommendation of a particular custodian may be based on past experiences, commission rates, execution capabilities, and quality of services provided. You may pay commissions higher than those obtainable from other custodian or broker/dealers in return for those products and services. Commission and fee structures of various custodians and broker/dealers are periodically reviewed to ensure clients are receiving best execution. Accordingly, while we will consider competitive rates, we may not necessarily obtain the lowest possible commission rates for your account transactions. Therefore, the overall services provided by the custodian are evaluated to determine best execution.

While there will not be a direct linkage between the investment advice provided and a particular custodian, economic benefits may be received that would not be received if we did not use the particular custodian's services to implement the investment advice provided. These benefits may include, but not necessarily be limited to: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk; the ability to have investment advisory fees deducted directly from your account(s); access to an electronic communications network for client order entry and account information; receipt of compliance publications; and access to mutual funds that generally require significantly higher minimum initial investments or are generally only available to institutional investors.

### **Block Trades**

We do not combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading") because we provide individualized advice to clients. Because we do not block trade, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than other clients.

## **Item 13      Review of Accounts**

### **Asset Management Services**

Patricia Heath, President of Patricia A. Heath & Associates, Inc., is responsible for managing and reviewing all client accounts. Managed accounts are reviewed on a yearly or more frequent basis. Clients may request additional account reviews as frequently as needed.

We do not provide performance reports; however, you will receive trade confirmations and monthly or quarterly statements from your account custodian(s).

### **Financial Planning Services**

You and Ms. Heath will review or discuss your financial plan periodically to ensure that the planning advice and/or asset allocation recommendations made to you are consistent with your stated investment needs and objectives. Written updates to the financial plan may be provided in conjunction with the review. If you do not have a managed account with our firm, you may engage our firm to review and update an original financial plan at our then current hourly rate.

## **Item 14 Client Referrals and Other Compensation**

We do not receive any compensation from any third party in connection with providing investment advice to you, nor do we compensate any individual or firm for client referrals. Please refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with Pershing.

## **Item 15 Custody**

Your independent custodian (i.e., Pershing) will directly debit your account(s) for the payment of our fees. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with an independent qualified custodian. You will receive account statements from them at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

If you have a question regarding your account statement, or if you did not receive a statement from your custodian, please contact us directly at (847) 446-9920.

## **Item 16 Investment Discretion**

If you choose discretionary asset management services, you grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s).

If you choose non-discretionary asset management services, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

## **Item 17 Voting Client Securities**

We will not vote proxies on behalf of clients. Clients are instructed to read through the information provided with the proxy document and make a determination based on the information provided. Upon request from the client, we may provide clarifications of issues presented in the proxy materials. However, clients will be solely responsible for all proxy voting decisions.

## Item 18 Financial Information

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

## Item 20 Additional Information

### **Your Privacy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact our main office at the telephone number on the cover page of this brochure if you have any questions regarding this policy.

### **Class Action Lawsuits by Securities**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation. Additionally, we do not initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

### **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in, had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, you will keep the profit.

# **Patricia A Heath**

CRD No. 1983575

## **P.A. Heath & Associates, Inc.**

400 Central Avenue, Suite 100/120  
Northfield, IL 60093

Telephone: (847)-446-9920  
Facsimile: (847)-446-9980

August 30, 2011

### **FORM ADV PART 2B BROCHURE SUPPLEMENT**

This brochure supplement provides information about Patricia Ann Heath that supplements the Patricia A. Heath & Associates' brochure. You should have received a copy of that brochure. Please contact us at (847)-446-9920 if you did not receive our firm's brochure or if you have any questions about the contents of this supplement.

Additional information about Patricia A. Heath is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 Educational Background and Business Experience**

### **Patricia A. Heath**

*Year of Birth:* 1954

*Formal Education after High School:*

- University of New Hampshire B.A., 1976

*Business Background for the Previous Five Years:*

- P.A. Heath & Associate, Inc., President, 01/2000 – Present
- P.A. Heath & Associate, Inc., Investment Advisor Representative/Chief Financial Officer, 05/2007 - Present
- Waterstone Financial Group, Registered Representative, 11/2005 – 08/2007
- Raymond James Financial Services, Registered Representative, 01/2000 – 11/2005

*Certifications:*

- **Name of Certification/Designation, Explanation of Minimum Qualifications**

**In lieu of the above bulleted template, you can use a narrative/paragraph description that includes the required disclosures.**

## **Item 3 Disciplinary Information**

Patricia Heath does not have any disciplinary disclosure.

## **Item 4 Other Business Activities**

P.A. Heath & Associates does not receive any additional compensation for providing advisory services beyond the fee based compensation she receives through Patricia A. Heath & Associates.

Patricia A. Heath is not actively engaged in any other business or occupation (investment-related or otherwise) beyond her capacity as President/Owner of Patricia A. Heath & Associates. Moreover, Patricia A. Heath does not receive any commissions, bonuses or other compensation based on the sale of securities or other investment products.

## **Item 5 Additional Compensation**

Ms Patricia A. Heath does not receive any additional compensation for providing advisory services beyond that received as a result of her capacity as President/Owner of Patricia A. Heath & Associates.

## **Item 6 Supervision**

Patricia Heath is the owner and **sole investment adviser representative** of P.A. Heath & Associates, Inc. Therefore, supervision is not required. Patricia Heath can be reached at (847) 446-9920.