

## Part 2A of Form ADV: Firm Brochure Item 1 Cover Page



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This brochure provides information about the qualifications and business practices of Patterson Partners, Ltd. If you have any questions about the contents of this brochure, please contact us at 441-296-3528 and/or [jpatterson@pattersonpartnersltd.com](mailto:jpatterson@pattersonpartnersltd.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 Patterson Partners, Ltd. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Patterson Partners Ltd.'s registration as an investment adviser does not imply a certain level of skill or training.

Effective Date: October 21, 2019

## Item 2 Material Changes

Last Annual Update: N/A

### Summary of Material Changes

This section will be updated as required in the event any material changes are made to the Patterson Partners Ltd. Firm Brochure (the “Brochure”):

- Patterson Partners Ltd. is a new investment advisory firm, so there are no material changes to report at this time.

### Delivery Requirements

We will provide a summary of any material changes to this Brochure to our clients at least annually, within 120 days of our fiscal year end. Furthermore, we will provide our clients with other interim disclosures about material changes as necessary.

A complete copy of our current Form ADV Part 2A and/or 2B may be requested free of charge by contacting us by telephone at 441-296-3528 or by email at [concierge@pattersonpartnersltd.com](mailto:concierge@pattersonpartnersltd.com).

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## Item 4 Advisory Business

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### FIRM DESCRIPTION

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Patterson Partners Ltd. (hereinafter referred to as “Patterson Partners”, “we”, “us”, or “our firm”) is a Bermuda-incorporated private limited company with its principal office located in Pembroke, Bermuda. The principal owner of the firm is Jeffrey Patterson.

As a registered investment adviser, we are a fiduciary to you, our client, meaning we have a fundamental obligation to act and provide investment advice that is in your best interest. Should any material conflicts of interest exist that might affect the impartiality of our investment advice, they will be disclosed to you in this Brochure. We urge you to review this Brochure carefully and consider our qualifications, business practices and the nature of our advisory services before becoming our client.

As of September 2019, Patterson Partners managed approximately \$19,833,000 of client assets on a discretionary basis. Clients may request more current information at any time by contacting our firm.

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### ADVISORY PROGRAMS

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Patterson Partners provides investment management services to our clients. In connection with our investment management services, Patterson Partners provides advice with respect to a broad range of asset classes, including equities (common stocks and equivalents), mutual funds, exchange traded funds, U.S. treasuries and bonds, municipal securities and certificates of deposit. Patterson Partners may also utilize, where appropriate, options contracts, foreign currencies to purchase foreign securities and derivatives to hedge against foreign currency exchange rates. Our advice is generally limited to these types of investments, but we reserve the right to advise or not advise our clients on certain investments should we deem it appropriate based on their particular circumstances.

Patterson Partners’ advisory services are tailored to the needs of our clients based on their individual investment objectives, risk tolerance, cash or income needs, and any investment restrictions. Although Patterson Partners seeks to accommodate any reasonable investment restrictions or guidelines set by our clients, we may decline to accommodate certain investment restrictions that are incompatible with our firms’ investment philosophy or that may have an adverse effect on our ability to manage your account.

Our advisory services are offered through certain individuals who have registered with Patterson Partners as its investment adviser representatives (“advisors”). Clients should refer to such advisor’s Form ADV Part 2B (the “Brochure Supplement”) for more information about their qualifications.

Patterson Partners enters into formal written client services agreements with our clients setting forth the terms and conditions under which we will provide our advisory services (the “Engagement Agreement”). The Engagement Agreement set forth the scope of the services to be provided and the compensation we receive from the client for such services. The Engagement Agreement may be terminated by either party in writing at any time by giving thirty (30) days signed written notice to the other party.

Our advisors offer the advisory services described below to our clients:

**Investment Advisory Services.** Patterson Partners provides discretionary investment management services where the client grants our firm full power to direct, manage, and change the investment and reinvestment of the assets in the account, the proceeds and any additions. Our firm manages the client’s account(s) without client consultation after the initial establishment of the client’s investment objectives and appropriate asset allocation. Our authority over the client’s investments includes discretionary authority to purchase and sell securities for the client’s account, to submit aggregated trade orders for the client and others in order to obtain best execution, and to give instructions concerning these transactions to the qualified custodian with which the client’s account(s) are held. We are not required to first consult with the client before placing any specific order or obtain specific authorization from the client for each specific transaction. Our firm receives discretionary authority from our clients through our Engagement Agreement at the outset of our advisory relationship. We do not manage accounts on a non-discretionary basis.

- **Investment Supervisory Services.** To engage us for our Investment Supervisory Service, you first must engage us for a limited financial planning service (discussed below), at a minimum. In addition, we prefer to help you design and implement investment strategies for all of the investment assets on your **Life+Wealth** balance sheet, no matter how those assets are held (directly owned, held in trusts, held in privately owned companies or held in private foundations), and regardless of which investment firm is making the day-to-day investment decisions. The strategies we use are described in Item 8, below.

Investment Supervisory Services may be obtained from Patterson Partners through a separate Engagement Agreement, or a separate professional investment advisor of the client’s choosing. Patterson Partners may recommend to its financial planning and financial consultation clients that they retain the Firm as their investment advisor to implement its recommendations and such recommendation may be viewed as a conflict of interest. Financial planning and financial consultation clients are hereby advised that they are under no obligation to act on Patterson Partners’ investment recommendations. Moreover, if a client elects to act on any of the recommendations, the client is under no obligation to effect the transactions through Patterson Partners.

- **Investment Consultation Services:** Our firm’s investment consultation services may involve developing asset allocation, assisting in asset selection and portfolio design, providing information on investment vehicles and strategies, reviewing employee retirement plans

and stock options or restricted stock units, as well as assisting clients in establishing their own investment account at a selected broker-dealer or custodian. The strategies and types of investments we may recommend are further discussed in Item 8 of this Brochure.

Unless Investment Consultation is specifically mentioned, the financial plan does not include the recommendation of specific investment vehicles nor the development of an Investment Policy Statement as these are provided under our Investment Supervisory Services.

This service typically begins with a financial planning engagement, providing each client with a foundation: a personalized plan that includes stated goals and objectives as well as an evaluation of the client's current and forecasted financial status, an estimation of cash flow, asset values and expected income.

**Financial Planning and Consulting Services.** Patterson Partners provides financial planning and consulting services where an advisor will work with clients to provide a comprehensive review their current financial position, stated goals and objectives and will make recommendations on how clients can manage their financial resources based on an analysis of their individual needs. We will assist in developing financial goals through our life design process, analyzing available options. The initial analysis will yield a written or electronic report summarizing our findings with potential steps and choices that should be considered to improve your financial position and/or help you achieve your stated goals. All changes will be reviewed jointly and weighed against alternatives to make adjustments to the plan before implementation. Throughout the subscription period the plan will be updated and reviewed as progress toward your goals is being made.

This service provides on-going, on demand, comprehensive financial planning for a fixed fee over the course of a year. Clients will have two to four scheduled meetings during the year, depending on their individual situation, goals and desires. Along with scheduled meetings, clients have unlimited access to the firm via email and/or phone or web-based communication channels to discuss changes to the analysis or any questions they may have.

This service will typically focus on assisting clients in the following areas:

- **Life Design** includes discovery of life transitions currently experiencing or expected at some point in the future, desires, values that tie to policy or themes that may guide decisions in one or more pillars. This also covers "Empowered Vision" which is ultimately a tool for facilitation and guidance during goal creation.
- **Protect the Plan** covers wealth management strategies that intend to preserve an individual or family's wealth and protect it from potential risks. This consists primarily of various types of insurance: life insurance, long-term care insurance, property and casualty insurance, medical insurance. It also consists of the use of legal structures in more than one country, kidnap and ransom and other types of asset protection type strategy.

- **Estate Planning** consists of strategic planning for asset transfer at death as well as the tracking of any documents that may be relevant to an individual's estate. It also involves charitable planning and gifting strategies. This includes beneficiary designations, legal documents such as trusts and wills, and the assignment of legal representatives.
- **Human Capital + Tax Filter** focuses on planning for income and taxes. This consists of protecting and growing future income, analyzing current and future cash flow objectives and needs, as well as income tax planning. If you are an employee, we will provide review and analysis as to whether you are taking the maximum advantage possible of your employee benefits. If you are a business owner, we will consider and/or recommend the various benefit programs that can be structured to meet both business and personal goals.
- **Cash Design** focuses on lifestyle costs now and in the future. It also consists of the optimal allocation of cash in the present to support current lifestyle costs, commitments made in the past and future obligations. Advice may also be provided on any liabilities, including prioritization of debt payoff ensuring efficiency based on factors including interest rates and income tax ramifications. We may also recommend what we believe to be an appropriate cash reserve that should be considered for emergencies and other financial goals, along with a review of accounts (such as money market funds) for such reserves, plus strategies to save desired amounts.
- **Financial Capital** is concerned with the ownership and maintenance of any financial assets reflected on the **Life+Wealth** Balance Sheet. It also involves the appropriate management of the mix of asset classes reflected on the balance sheet. This can include individual savings, managed investment accounts, retirement plans, business ownership, real estate, home ownership and non-traditional assets.

**Limited Scope Services.** Patterson Partners offers a menu of unbundled services which can be combined in distinct, limited-scope engagements to assist our clients with only the services that each client chooses, allowing the firm's clients the flexibility to focus on key issues at each stage of exploring, developing, implementing, and monitoring strategy, and to serve only those stages that are needed by each client or family.

- **Life+Wealth Quickstart™** is a limited engagement service focused on modeling financial independence/retirement and related goals and where complex decision making is present. The more "complex" a situation or problem is:
  - The more difficult it is to make a decision unless the client can understand the system/see the big picture and balance (visualize) the tradeoffs involved.
  - The greater the need for a true scenario planning process to consider multiple alternatives, and

- The greater the need for simulation tools to illustrate the impact of decisions – their ripple effect on other issues.

Current and forecasted cash outflows are modeled using agreed savings and financial asset assumptions. This allows for the “trying on” of various possibilities. This service is most appropriate for the individual or family who have who require a better understanding of their current situation and who desire to better understand their unique, personal range of possibilities over a selected time frame. Often specific questions can be addressed through this focused service.

- **Relocation or Repatriation** is a limited engagement service for those clients considering, or who will be transitioning from one country to another. In general, this service is focused on material changes to the current financial situation that can be reasonably expected due to the relocation. Once the material impact is quantified, a financial transition plan can be developed to achieve short term goals associated with the relocation. This service is typically limited in duration and is often combined with other financial planning services needed to ensure that the client’s Cross-Border Life+Wealth Plan™ is completed and implemented.
- **Consultation:** Our Consultation service allows clients to discuss their most pressing financial concerns and current financial status. The client receives advice based on the information provided within the meeting. After the meeting, clients will receive an e-mail message summarizing high-level action steps discussed during the meeting. The firm does not give any advice outside the meeting or the summary e-mail message.

This service is suited for clients who want a quick financial checkup without analysis or require answers to specific questions.

**Other Services.** Patterson Partners offers the following other services:

- **U.S. Tax Compliance Services.** Taxes are an integral part of our clients’ financial life. Therefore, we offer U.S. tax preparation and consulting services to help clients navigate the complexities and legally minimize their income taxes. Patterson Partners Ltd. will prepare individual, trust and gift and estate tax returns for clients. We can prepare tax projections and estimates throughout the year and provide tax research when warranted. In addition, we prepare Distributable Net Income schedules for trustees of foreign trusts with US beneficiaries who are our clients. Finally, we coordinate with other tax preparers as needed for clients with tax returns in countries besides the United States.
- **Daily Money Management Services.** As personal financial matters become more complicated, finding time to focus on the daily tasks of money management becomes more difficult. For seniors, this service can provide comfort of another set of eyes reviewing documents and ensuring bills are paid, potentially delaying any need for family members to step in. For busy professionals, and those with multiple properties, this



service can ensure that tasks are being done to keep your household operating, freeing you up to focus on other important things like your family and career or a business while keeping you informed of where your finances stand, avoiding late fees and ensuring that nothing falls through the cracks.

This service compliments our advisory services by facilitating the completion of day-to-day tasks. By organizing and maintaining accurate financial records we are able to also compile the necessary documents for tax preparation. Actual work depends on client need but may include bill paying, including contacting vendors regarding incorrect bills, maintaining organization of bank and other account records, reconciling accounts, organizing tax documents and other financial paperwork, creation of financial

- **U.S. Individual Retirement Accounts (IRA) Rollover Considerations.** Investors considering rolling over assets from a qualified employer-sponsored retirement plan ("Employer Plan") to an Individual Retirement Account ("IRA") should review and consider the advantages and disadvantages of an IRA rollover from their Employer Plan. A plan participant leaving an employer typically has four options (and may engage in a combination of these options): (1) leave the money in the former employer's plan, if permitted; (2) rollover the assets to a new employer's plan (if available and rollovers are permitted); (3) rollover Employer Plan assets to a U.S. IRA; or, (4) withdraw the Employer Plan assets and pay the required taxes on the distribution. At a minimum, Investors should consider fees and expenses, investment options, services, penalty-free withdrawals, protection from creditors and legal judgments, required minimum distributions, and employer stock. Patterson Partners encourages you to discuss your options and review the above listed considerations with an accountant, third-party administrator, investment advisor to your Employer Plan (if available), or legal counsel, to the extent you consider necessary.

By recommending that the client rollover your Employer Plan assets to a U.S. IRA, Patterson Partners may earn asset-based fees as a result. In contrast, leaving assets in your Employer Plan or rolling the assets to a plan sponsored by your new employer likely results in little or no compensation to Patterson Partners. Patterson Partners has an economic incentive to encourage investors to rollover Employer Plan assets into a U.S. IRA managed by Patterson Partners. Investors may face increased fees when they move retirement assets from an Employer Plan to a rollover IRA account. We operate under a fiduciary standard when giving advice of any kind. The client is under no obligation to roll U.S. retirement plan assets to an account managed by us.

A summary of the services offered by Patterson Partners is outlined below in **Exhibit A**.

## **Exhibit A: Patterson Partners Ltd. Services Summary**

Specific Service Options	Subscription	Limited Scope Fixed Fee	Limited Scope Time Spent
<b>Advisory Services</b>			
Asset protection planning	✓	✓	✓
Closely held business interests – tax planning for owners, succession planning, preparing the next generation of family owners, preparing for sale, estate planning, financial risk management	✓	✓	✓
Life+Wealth Balance Sheet and balance sheet management	✓	✓	✓
Immigration Planning and Coordination	✓	✓	✓
Assistance with Understanding Taxation Rules	✓	✓	✓
Income Tax Analysis and Tax Reduction Strategies	✓	✓	✓
Estate Planning	✓	✓	✓
Planning for Health Care Coverage Needs	✓	✓	✓
Retirement/Financial Independence Planning Strategies	✓	✓	✓
Foreign Exchange Strategies	✓	✓	✓
Cost of Living Analysis	✓	✓	✓
Real Property Strategies	✓	✓	✓
Education Funding	✓	✓	✓
Risk Management	✓	✓	✓
Divorce Financial Consulting	✓	✓	✓

Executive Compensation, Stock Option and Restricted Stock Unit Planning	✓	✓	✓
Mortgage, loan structuring, consumer credit and/or payoff strategies	✓	✓	✓
Legacy Planning and Family Wealth Education	✓		
Property, casualty and liability insurance	✓	✓	✓
Life, disability, medical and long-term care insurance	✓	✓	✓
Coordinating Trust and Family Entity Administration	✓		
Charitable giving, administration, and management of family charitable foundations	✓	✓	✓
Clarification and Prioritization of Business and/or Life Goals	✓	✓	✓
<b>Investment Supervisory Services</b>			
Investment Policy Statement	✓	✓	
Determining Risk Tolerances	✓	✓	
Strategy Setting	✓	✓	
Portfolio Design	✓	✓	
Implementation	✓	✓	
Monitoring and Review	✓	✓	
Cash Management and Rebalancing	✓	✓	
Performance Management and Reporting	✓	✓	
Quarterly Reporting	✓	✓	
Annual Reviews	✓	✓	

Quarterly Reviews	✓	✓	
Coordination with Tax and Planning Strategies	✓	✓	
<b>Tax Compliance and Daily Money /Lifestyle Management</b>			
Annual Tax Planning and Tax Liability Projections	✓	✓	✓
Personal Income Tax Preparation (USA only)	✓	✓	✓
Business/Trust Income Tax Preparation (USA only)	✓	✓	✓
Cash Flow Forecasting and Modeling (one or more countries and/or currencies)	✓	✓	✓
Daily Money Management and Reporting	✓	✓	✓
Financial Transactions Records Creation and Financial Statement Package	✓	✓	✓
Income tax planning and forecasting	✓	✓	✓
Lifestyle management (yachts, vacation homes, household staff, etc.)	✓	✓	✓

**Wrap Fee Programs.** Patterson Partners does not participate in any wrap fee programs.

**Important Note:** It is the client's responsibility to ensure that Patterson Partners is promptly notified if there are ever any significant changes to their financial situation, goals, objectives or needs so we can review our previous recommendations and make any necessary adjustments.

## Item 5 Fees and Compensation

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### ADVISORY FEES

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The following information describes how Patterson Partners is compensated for the advisory services we provide to our clients. The specific manner in which fees are charged and the compensation we receive may differ between clients depending upon the individual Engagement Agreement with each client, as described below.

Patterson Partners reserves the right to negotiate our compensation with clients depending on the volume and complexity of predictable and recurring work based on a number of factors, including but not limited to, the expected amount of time our staff will spend on the work being performed, the number of household members, net worth, life stage, business issues, number and type of accounts, trust and real estate arrangements, and number of countries involved. Other factors used to determine service fees include the complexity and number of issues involved, services chosen, the skill required to perform services, involvement of other advisors relevant to any legal, technical and/or supporting documentation, the value we add, inflation adjustments in future years, the nature and longevity of the professional relationship of Patterson Partners with a client including the use of other advisory services, as well as any extra expenses such as travel, preparing, organizing, or collecting client data, and time constraints or assignments imposed by the client or the client's other advisors.

We may charge higher or lower fees than are available from other firms for comparable services. Patterson Partners has the general discretion to waive all or a portion of our fees, but typically only exercises this discretion for our employees.

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## **INVESTMENT ADVISORY FEE**

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**Investment Supervisory Services Fee.** In consideration for providing investment supervisory services and pursuant to the Engagement Agreement with the client, Patterson Partners charges an annual asset-based fee ranging from 1.0% to 0.25% based on the client's assets under management ("AUM") as valued by the custodian. Fees are negotiated with each client based on a variety of factors, such as the amount of assets being managed, future deposits to the accounts under our management, the level and type of services provided and/or the nature of the relationship with the client.

Patterson Partners generally bills our fees on a monthly basis in arrears. Clients must authorize the deduction of our fees from their managed accounts by the qualified custodian, Interactive Brokers, and choose the method by which our fees will be calculated. Clients may elect to have our advisory fees calculated by our firm or Interactive Brokers and deducted from their accounts. The client makes this election when applying for their account at Interactive Brokers or at any time, or cancel the existing arrangement. All fees will be supported by an invoice to the client itemizing the fee. The minimum annual fee is \$5,000. All fees are subject to negotiation.

Depending on their existing Engagement Agreement, some clients may be charged fees in advance, or could have investment management fees calculated based on the value of the managed portfolio on the last day of the calendar quarter. These agreements may state that if you terminate your engagement agreement during a calendar quarter, you will be charged a prorated fee, which is due and payable on the day the agreement terminates. If you have prepaid fees, any prepaid, unearned fees will be promptly refunded upon termination.

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## **FIXED FEES – FINANCIAL PLANNING FEE**

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**Continuous Financial Planning Subscription Service.** Patterson Partners generally charges a fixed fee for Financial Planning Subscription services starting at \$6,000 per year. Upon engagement, we will request an initial deposit of the first quarter's Financial Planning Subscription fees. For the client's convenience, the remainder of the fees may be paid in monthly or quarterly installments.

Case-by-case fees are negotiated to respond to the volume and complexity of predictable and recurring work based on a number of factors, including but not limited to, the expected amount of time our staff will spend on the work being performed, the number of household members, net worth, life stage, business issues, number and type of accounts, trust and real estate arrangements, number of countries involved, involvement of other advisors, any extra expenses including travel, preparing, organizing or collecting client data, and time constraints or assignments imposed by the client or the client's other advisors.

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## **LIMITED SCOPE - FINANCIAL PLANNING FEES**

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Patterson Partners may be engaged for our financial planning services on a limited scope basis for a fixed fee.

Fees typically range from \$2,500 to \$50,000 but can be far greater than this for highly complex engagements that involve multiple countries and extensive coordination with other professionals. Most limited-scope fixed fee engagements will automatically terminate six months after the signing of the agreement unless an extension is agreed to in writing by both parties.

**Consultation.** Our consultation service is provided at a fixed fee of \$300 for 30 minutes. This service requires a minimum of 30 minutes of engagement, which only includes meeting time. For time in excess of 30 minutes, time will be billed in 15-minute increments at \$575 per hour. This additional time may cover the review of documents prior to the meeting and to provide a written summary following the meeting, if requested and agreed. The fee is not negotiable. To secure an appointment, clients will sign the agreement and authorize a one-time billing for the time spent for processing on the day after the requested appointment date.

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## **OTHER SERVICE – FINANCIAL PLANNING FEE**

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**U.S. Tax Compliance Services.** Fixed fees for U.S. Tax Compliance services generally start at \$3,000. The total estimated fee, as well as the ultimate fee that we charge the client is based on the scope and complexity of the services provided, including, but not limited to, whether the client receives income from real property, have partnership income, how many transactions take place inside taxable investment accounts, business or self-employment income, trust and/or foreign trust reporting, foreign tax credits or tax treaty issues. Other services including, but not limited to, tax projections, estimated tax calculation vouchers will also affect the fee.

**Daily Money Management Services.** Fees generally start at fixed fee of \$200 per month. The total estimated fee, as well as the ultimate fee that we charge the client is based on based on a number of factors including, but not limited to, the volume of transactions in each account, number of accounts, whether you have employees or rental income, health insurance claims reconciliation, frequency of reporting and whether we liaise with professional advisors or family on your behalf.

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#### **TIME BASED FEES – FINANCIAL PLANNING FEES.**

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The following services may be engaged based on time spent:

- **Financial Planning Subscription Service;**
- **Selected Limited Scope Services;**
- **U.S. Tax Compliance Services; and**
- **Daily Money Management Services.**

This may be the recommended billing structure when documentation is not easily available, coordination with outside advisors and other variables that are difficult to quantify are present.

In this case, we will charge for time spent based on hourly fees ranging from \$285 to \$650 for professional staff, depending on the professional classification and experience of the individual providing the service. Administrative staff are charged based on hourly fees ranging from \$100 to \$285 per hour, depending on the staffing of the engagement. While we have standard hourly billing rates for advisory services, all fees are open to negotiation. Itemized invoices will be sent monthly and are due on receipt.

**Additional Fees and Expenses.** Clients will incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or qualified custodian through which account transactions are executed. For more information on our brokerage practices, please refer to Item 12 (Brokerage Practices) of this Brochure.

The fees that clients pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or exchange traded funds (described in each fund's prospectus) to their shareholders. The fees charged directly by mutual funds and exchange traded funds will typically include a management fee and other fund expenses.

To fully understand the total costs associated with their investment portfolio, clients should review all the fees charged by mutual funds, exchange traded funds, our firm and others.

**Termination.** The Engagement Agreement with our clients may be terminated by either party at any time upon thirty (30) days written notice. Upon termination of our status as the client's investment adviser, Patterson Partners will not take any further action with respect to the client's

account(s) unless specifically notified by the client in writing. Clients will be responsible for instructing their custodian and monitoring their account for the final disposition of assets.

**Refunds.** Upon receipt of a proper notice of termination from the client, as described in the Engagement Agreement, any earned unpaid fees will be billed on a pro-rata basis based on the amount of work performed by us up to the point of termination. Fees will be due and payable on the day the agreement terminates. If you have prepaid fees, any prepaid, unearned fees will be promptly refunded upon termination.

**Brokerage Commissions.** Patterson Partners does not receive brokerage commissions from the sale of securities or other investment products. Our compensation for recommending securities and investment products is limited to the advisory fees described above.

Any material conflicts of interest between clients and Patterson Partners or our employees are disclosed in this Brochure. If at any time, additional material conflicts of interest develop, Patterson Partners will provide our clients with written notification of those material conflicts of interest or an updated Brochure.

## Item 6 Performance-Based Fees

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### PERFORMANCE BASED FEES

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Patterson Partners does not charge our clients fees based on a share of capital gains on or capital appreciation of the assets in their accounts.

## Item 7 Types of Clients

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### TYPES OF CLIENTS

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Patterson Partners offers financial planning and investment advisory services to a diversified group of clients including individuals, their families, trusts and businesses. Typically, these individuals are corporate executives, business owners, medical and other professionals, and affluent individuals, as well as widows and those with inherited wealth. We also provide investment management and consulting services to trusts, charitable institutions, such as foundations that are often connected to, and created by individual clients, but not in all cases. Client relationships may vary in scope and length of service.

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### ACCOUNT REQUIREMENTS

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Patterson Partners generally does not require a minimum account balance for our investment management services. However, our discretionary investment management service is typically restricted to individuals with personal income of \$200,000 or joint income with a spouse of at least \$300,000 or net worth or joint net with a spouse that exceeds \$1,000,000.

Patterson Partners in its sole discretion may waive or lower our minimum account balance requirement based on various criteria (i.e., anticipated future additional assets to be managed, related accounts, account composition, negotiations with the client, etc.).

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

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### METHODS OF ANALYSIS

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#### Overview

We have developed a rigorous investment process that is designed to help you create a customized portfolio that is right for you and your unique set of circumstances and goals. For our investment advisory service process to commence, you will be required to first engage us for financial planning. Most investment recommendations have implications for your cash flow, tax situation, estate plan and charitable gift planning and therefore financial planning is a prerequisite. Your financial planning service will address many of the following issues, which are required for us to prepare investment recommendations:

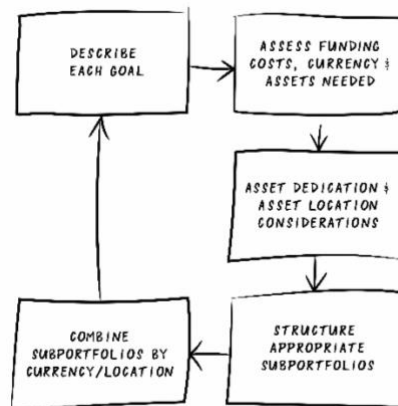
- Anticipated contributions;
- Anticipated timeframe for the various goals the investments are designed to achieve;
- Anticipated taxation of the assets;
- Anticipated dates and amounts for planning withdrawals;
- Impact of expenses to the achievement of the various goals;
- Uncertainty about the goals the portfolio is designed to achieve; and
- What other factors need to be taken into consideration?

Your plan and subsequently the construction of investment portfolios are constructed using of scenario analysis, in addition to mathematical and statistical tools. The objective of scenario analysis is to produce better quality thinking about the future than is likely achieved using traditional forecasting techniques. It relies on understanding causality rather than requiring probability estimates that most people agree are unpredictable.

At the conclusion of the initial planning service, you will have settled on the specific goals that you need your investments to achieve. We then suggest an investment management program personalized to your needs. The recommendations outlined in the investment management program that we develop with you is the result of our proprietary process, **Life+Wealth Investing™**.

Our **Life+Wealth Investing™** process uses a combination of strategies to achieve client goals. As part of this approach we provide you with advice about asset allocation<sup>1</sup>, asset location<sup>2</sup>, asset-liability matching<sup>3</sup> and risk management<sup>4</sup> for many asset classes and investment strategies. A visual framework of this process is shown in **Figure 1**.

Figure 1



The process is guided by three key tenets that are reflected in the following questions:

- What is the optimal strategy or combination of strategies? We attempt to put ourselves in your position, applying all of the information we have about your situation, and applying all of our technical skills.
- What strategy is consistent with your risk management goals? We do not believe that risk is adequately measured with a simple questionnaire. Risk includes the risk of failing to achieve the goals the portfolio is designed to achieve.
- What is the impact of trading costs, management fees and taxes on expected net return, and on goal achievement?

The process links client goals to risk management objectives and investment strategies. Most of our clients hold broadly diversified portfolios. However, some of our clients hold portfolios that are not diversified, because that is the optimal choice for them based on their unique circumstances.

## How We Analyze Your Situation

<sup>1</sup> "Asset allocation" refers to the decision that each investor makes about which asset classes to own, and how much capital to invest in each of those asset classes.

<sup>2</sup> "Asset location" refers to the decision an investor makes about the manner in which an asset is owned. Our clients often have retirement accounts, trusts, corporations and personal accounts. In addition, often we have clients who may not share a common nationality or domicile. Each of those ownership types have different tax and other characteristics that need to be taken into consideration.

<sup>3</sup> "Asset-liability matching" is an investment strategy that matches future asset sales and income streams against the timing of expected future expenses.

<sup>4</sup> "Risk management" refers to all types of risk, not just the risk of loss or market volatility.

When making investment recommendations for you, the following are some of the factors that we will analyze:

- Your investment objectives – What are you trying to achieve and why? What will happen if you fail to achieve your investment objectives?
- Your **Life+Wealth** balance sheet – How large is your pool of investment assets? How much debt do you carry? What is your ratio of liquid to illiquid assets? What is your ratio of personal use assets to investment assets? Do you have concentrations of risk on your balance sheet?
- Your investment assets – What investments do you already own? How are they performing? Do they align with any of the strategies or combination of strategies we have identified that may be optimal for achieving your goals? What is your current asset allocation? How are your investment assets owned? What types of investment risk are you most exposed to, and why?
- Single security – Do you own a large amount of a single security? If so, why? How long will you continue to hold it? What risk factors are associated with it? How do you feel about it?
- Your cash flow – What is your cash flow situation? How dependent are you upon the income generated by your investments? What is the ratio of your cash withdrawal versus the size of your investment assets? How is your cash flow situation projected to change over time?
- Your time horizon – If you are accumulating assets for a specific purpose, how much do you need and by what date? If you are drawing upon your assets, for how long do you need to be able to sustain the withdrawals?
- Currencies – Which currencies are you most dependent upon? How will your financial situation be affected by currency exchange rate fluctuations?
- Your tolerance for complexity – How do you feel about investments that have a high degree of legal, structural and/or tax complexity?
- Your estate goals and lifetime wealth transfer goals – How do your investments relate to your goals for lifetime wealth transfer, charitable giving, and estate planning?
- Your tolerance for risk – What is your situation's tolerance for various types of risk? Our assessment of your risk tolerance is based upon our analysis of the factors described here and any other relevant factors that we discover in our work with you.

Security analysis methods may include charting<sup>5</sup>, fundamental analysis<sup>6</sup>, technical analysis<sup>7</sup> and cyclical analysis<sup>8</sup> although Patterson Partners Ltd. places primary emphasis on fundamental analysis.

The main sources of information include financial publications, research materials prepared by others, discussions with other professionals, annual reports, prospectuses and company press releases.

Other sources of information that we may use include GDX360, NASDAQ Dorsey Wright and the World Wide Web.

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## INVESTMENT STRATEGIES

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You cannot completely avoid risk; you can only try to manage the types of risk to which your capital is most exposed. After analyzing your situation, we design customized investment portfolios.

One of our firm's investment practices is strategic asset allocation utilizing an equity core and satellite approach, which blends passive and active investing. This means that in our equity allocations we primarily use passively managed exchange traded funds as the core investments and then add specialty sector funds and individual securities where there are greater opportunities to make a difference. Portfolios are also generally globally diversified to control the risk associated with concentration in limited markets.

In addition, we may make tactical purchase and sale decisions based on the relative value of one asset versus another. The decisions may result in an increase or decrease in the allocation of money to an asset class or to add or remove an asset class. The extent to which a particular decision is actually implemented in your accounts will depend on a large number of factors including the size of the portfolio, the specific goal or goals that the portfolio is designed to achieve, your tax situation and how the account is owned. The criteria we weigh when we make tactical decisions include:

- Is any asset class significantly over or under-valued?
- What are the possible explanations for its over or under-valuation?
- Are those explanations consistent with the economic outlook?
- Are the costs (tax costs and transaction costs) associated with making the adjustment low enough to make the adjustment worthwhile?

Other strategies may include long-term purchases, short-term purchases, trading, short sales and option writing. Patterson Partners Ltd. does not currently utilize margin transactions.

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<sup>5</sup> Analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices.

<sup>6</sup> Analysis performed on historical and present data, with the goal of making financial forecasts.

<sup>7</sup> Analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices.

<sup>8</sup> Analysis performed on historical relationships between price and market trends, to forecast the direction of prices.

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## RISK OF LOSS

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Investing in securities involves certain investment risks. Securities may fluctuate in value both upwards and downwards. As part of its advisory services, Patterson Partners will help clients in determining the appropriate level of risk they can tolerate. However, investing in securities involves risk, clients should be prepared to bear potential losses and there are no guarantees that an investment strategy will meet client goals. There is no guarantee that any of the investment strategies that our firm employs will outperform the investment strategies used by other firms. Past performance is no guarantee of future results.

For each client we have we will review the client's investment goals, financial position, investment time horizon, risk tolerance and other factors to develop an investment strategy appropriate for the client's needs. Client participation in this process is essential. This includes full and accurate disclosure by the client of information requested by Patterson Partners. Patterson Partners will rely on the financial and other information provided by the client or their designees without duty or obligation to validate the accuracy and completeness of the information provided. It is the responsibility of the client to inform Patterson Partners of any changes in their financial condition, goals or other factors that may affect this analysis.

The investment risks described below may not be all-inclusive but should be considered carefully:

**Equities risk:** Equity securities can decline in value over short or extended periods as a result of changes in a company's financial condition and in overall market, economic and political conditions.

**Market Risk:** Security prices may decrease due in response to direct and indirect events and market conditions, usually caused by factors independent of the specific attributes of the investment security.

**Inflation Risk:** Rising inflation reduces the purchasing power of the underlying currency, which is the dollar for U.S. based investments. This also applies to foreign investments, which may be denominated in other currencies.

**Liquidity Risk:** Liquidity is the ability to convert an investment into cash. Investment assets are usually more liquid when established markets exist to trade those securities. For instance, U.S. Treasury bills and most equity securities have highly developed markets, while tangible property, such as real estate and precious stones, are less liquid. In case of extreme market activity, we may be unable to liquidate investments in thinly traded and relatively illiquid securities promptly if necessary. Also, sales of thinly traded securities could depress the market value of those securities and reduce the investments' profitability or increase its losses.

**Reinvestment Risk:** This is the risk that future gains may be reinvested at less favorable (lower) rates of return than currently available.

**Interest-Rate Risk:** Changes in interest rates may result in fluctuations in the prices of other investment vehicles. For example, when interest rates rise, fixed income securities prices fall.

**Financial Risk:** Excessive use of credit (borrowing) to finance a business' operations increases the risk of profitability, because the company must cover its debt obligations in good and bad years.

**Risks Specific to Options Trading:** Trading options is highly speculative in nature and involves a high degree of risk. Options may involve certain costs and risks such as liquidity, interest rate, market, and the risk that a position could not be closed when most favorable. Option contracts are traded for a specified period of time and have no value after expiration. When trading options, there is a risk that the account may lose the total amount of the premium paid (when long options) or more than the total amount of premium received (when short options). Trading halts in the underlying security or other trading conditions (for example, volatility, liquidity, systems failures) may cause the trading market for an option (or all options) to be unavailable, in which case the holder or writer of an option would not be able to engage in a closing transaction and an option writer would remain obligated until expiration or assignment. Even if the market is available, there may be situations when options prices will not maintain their customary or anticipated relationships to the prices of the underlying interests and related interests. Disruptions in the markets for the underlying interests could also result in losses for options investors. This is not intended to be an exhaustive presentation of all risks associated with trading options and clients should review the current Options Clearing Corporation ("OCC") disclosure document "Characteristics and Risks of Standardized Options" and any options risk disclosures provided by the broker-dealer used for client trades.

**Corporate Securities:** Equity and debt securities (stocks and bonds) represent partial ownership interests in companies and partial claims on their assets, respectively. The value of these interests and claims is theoretically dependent upon the performance of the underlying business and the cash flows generated by its operations. However, securities prices may fluctuate independently of these factors due to market factors or for no reason at all. Prices may not change as expected even when the prospects of the business have been correctly assessed.

**Omission of Risks:** This Brochure does not provide a comprehensive list of every possible source of risk. Every potential outcome of an investment cannot be predicted, and it cannot disclose every potential risk factor for every investment to clients. The value of securities that the Firm invests in may go up or down in response to factors not within our firm's control, including but not limited to the status of an individual company underlying a security, or the general economic climate. Clients may suffer losses for any reason or no discernible reason.

**Business Risks:** The companies identified for investment face a wide variety of operational risks, including competitive threats, regulatory changes, execution challenges, and responses to external changes. For businesses listed on US exchanges, the Securities and Exchange Commission requires companies to disclose the most significant risk factors that could impact the business. However, these disclosures could be incomplete or inaccurate. An assessment of the relevant risk factors for any business could be incomplete or inaccurate. Both unforeseen and

known risk factors may transpire, resulting in a deterioration of corporate performance.

**International Investing:** The Firm may invest in securities of U.S. companies operating internationally, as well as international companies on both domestic and foreign exchanges. Businesses operating in other countries are subject to political and economic risks not present in the U.S., as well as currency risk. Stock markets outside of the U.S. may be more volatile. In some international markets, U.S. shareholders may not be able to exercise the same legal rights as foreign shareholders. There may be more limited access to information about international companies.

**Fundamental Analysis:** Forecasting financial performance is an inexact process of estimation that relies on the accuracy of financial and industry data provided by companies and third parties. This data may contain material errors or omissions. Investing on the basis of fundamental research may also result in errors of judgment or analysis. Investment performance may suffer if the assessment of a business or its prospects is incorrect, and even a correct analysis could result in a loss of capital.

**Interim Underperformance:** The long-term and concentrated nature of a strategy means that even if the strategy is “working properly” and the analysis is correct and leads to profitable realized outcomes, clients may experience multi-year periods of significant underperformance relative to market indexes and other investment strategies. This interim underperformance poses a significant risk of permanent capital loss for clients with short time horizons or who require withdrawals from their account.

**Systemic Risk:** Our firm relies on the stability of the overall financial system to implement its investment strategy. The security of client assets depends on the solvency of a third-party custodian and brokerage firm, upon which the Firm also relies for prime brokerage and trading services. In the event of a disruption to the custodian’s business or the overall functioning of securities markets, the Firm may be unable to implement its investment strategy and clients may experience a significant or complete loss of their capital.

**Strategy:** The Firm cannot guarantee that its strategy will be implemented at all times, or in full. The Firm has full discretion and a broad mandate, and it may make investments not in keeping with the general description provided in this Brochure. There can be no guarantee that suitable investment opportunities will be available at all times.

**Management:** The Firm is dependent on the services of its Managing Member. If he were incapacitated or otherwise unable to continue providing services, the Firm would not be able to continue to implement its strategy and clients could experience a significant or total loss of capital.

**Frequent Trading:** Although many of the Firm’s investments are long-term in nature, any capital gains due to positions held for less than one year may be taxable at a higher rate. Frequent trading could result in lower returns due to these costs.

**Individual company risk.** When investing in stock and bond positions there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.

**ETF and mutual fund risks.** Owning Exchange Traded Funds (ETFs) or mutual funds generally reflects the risks of owning the underlying securities holdings in the ETF or mutual fund. When investing in ETFs or mutual funds, clients incur expenses based on the pro rata share of the ETF or mutual fund's operating expense, and may also incur brokerage costs.

**QDI<sup>9</sup> ratios.** While many US listed Exchange Traded Funds and index mutual funds are known for their potential US tax efficiency and higher QDI percentages, there are asset classes within these investment vehicles or holding periods with in that may not benefit. Shorter holding periods, as well as commodities and currency that may be part of an ETF or mutual fund portfolio, may be considered "non-qualified" under certain US tax code provisions. We consider a holding's QDI when US tax efficiency is an important aspect of your portfolio.

***Investors should be aware their investment is not guaranteed and understand that there is a risk of loss of value in their investment.***

## Item 9 Disciplinary Information

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### REQUIRED DISCLOSURES

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Our firm and our management persons have not been involved in any legal or disciplinary events that would have a material adverse effect on the integrity of our management or the services we provide to our clients.

## Item 10 Other Financial Industry Activities and Affiliations

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### OUTSIDE BUSINESS ACTIVITIES

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Neither Patterson Partners nor any of its employees are registered, or have an application pending to register, as a broker-dealer or registered representative of a broker dealer, futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

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<sup>9</sup> Qualified Dividend Income



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**AFFILIATED ENTITIES**

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Patterson Partners is not affiliated with any other entities at this.

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**OTHER INVESTMENT ADVISERS**

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Patterson Partners does not have any business relationships with other investment advisers that create a material conflict of interest for our clients.

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

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**CODE OF ETHICS**

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Patterson Partners has adopted a Code of Ethics (the “Code”) that sets forth a standard of business conduct for our firm and all our associated persons. The purpose of the Code is to set out ideals for integrity, objectivity, competence, fairness, confidentiality, professionalism and diligence for our firm and our associated persons to espouse in the interest of our clients and investor protection. The Code 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 employees of Patterson Partners are required to handle their personal securities transactions in such a manner as to avoid any actual or potential conflicts of interest or any abuse of position of trust and responsibility. Annually, we require all employees to certify that they have read, understand and will comply with the Code.

Clients and prospective clients may request a full copy of our firm’s Code of Ethics by contacting our firm in writing at [concierge@pattersonpartnersltd.com](mailto:concierge@pattersonpartnersltd.com) or calling our firm at 441-296-3528.

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**PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

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Patterson Partners and/or our advisors may invest in the same securities that are recommended to and/or purchased for our clients. Patterson Partners and/or our advisors do not recommend securities to our clients in which Patterson Partners and/or our advisors has a material financial interest. Patterson Partners has adopted procedures designed to assure that the personal securities transactions, activities and interests of Patterson Partners and/or our advisors will not interfere with our ability to make investment decisions in the best interest of our clients.

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## PERSONAL TRADING

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Patterson Partners maintains and enforces written policies and procedures reasonably designed to prevent the misuse of material non-public information by our firm or any access persons of our firm with regards to their personal securities transactions. Personal trading activities are continually monitored to reasonably prevent conflicts of interest between our firm and our clients.

## Item 12 Brokerage Practices

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### SELECTION OF BROKER-DEALERS

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Securities transactions are generally executed through Interactive Brokers, LLC. (“Interactive Brokers”), member FINRA/SIPC/NYSE. Interactive Brokers maintains custody of our clients’ assets and effects securities transactions for our investment management clients’ accounts. Patterson Partners is independently owned and operated and is not affiliated with or a related person of Interactive Brokers.

Patterson Partners considers a number of factors prior to recommending a particular broker-dealer to our clients, including but not limited to, their familiarity with the securities to be sold or purchased, their execution skills, order-flow capabilities, their commission rates or other fee schedules, their custodial services, their level of net capital (financial strength) and excess SIPC and other insurance coverage. The commissions charged by Interactive Brokers are competitive with similarly situated retail broker-dealers offering the same variety of securities to clients. Clients are advised, however, that they may be able to effect transactions in securities through other broker-dealers at lower commission rates, particularly with respect to securities listed on a national securities exchange or in the over-the-counter market.

**Research and Other Soft Dollar Benefits.** Interactive Brokers offers products or services other than execution that assist our firm in managing and administering client accounts. These may include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), facilitate payment of our fees from clients’ accounts, and assist with back office functions, record keeping and client reporting. These services may be used to service all or a substantial number of client accounts, including accounts not maintained at Interactive Brokers.

Patterson Partners may also receive services from Interactive Brokers or its affiliates that are intended to help our firm manage and further develop our business. These services may include registration support through Greenwich Compliance, website design and technology support. Interactive Brokers also has arrangements with various product vendors, which enable our firm to purchase their products at a discount. These products may include such items as: client

reporting and consolidated statement software; client communication software; client relationship management software; compliance assistance; and investment research.

Patterson Partners does not participate in any commission-sharing arrangements or receive soft dollar credits. While the benefits we receive from Interactive Brokers do not depend on the amount of brokerage transactions directed to Interactive Brokers, as a fiduciary we are required to disclose that there is an inherent conflict of interest when our firm recommends that clients maintain their assets at Interactive Brokers. These recommendations may be based in part on the benefits we receive from Interactive Brokers, such as the availability of the abovementioned products and services, and not solely on our clients' interest in receiving most favorable execution. Nonetheless, we seek to ensure that the securities transactions effected for our clients represent the best qualitative execution, not just the lowest possible cost.

Our firm routinely compares order execution disclosure information at Interactive Brokers to other broker-dealers to ensure that Interactive Brokers remains competitive in providing best execution for our clients' securities transactions. Although the brokerage commissions and/or transaction fees charged by Interactive Brokers may be higher or lower than those charged by other broker-dealers, in seeking best execution for our clients our firm strives to ensure that our clients pay brokerage commissions and/or transactions fees which we have determined, in good faith, to be reasonable in relation to the value of the brokerage and other services provided by Interactive Brokers.

**Brokerage for Client Referrals.** Patterson Partners does not consider broker-dealer or third-party referrals in selecting or recommending broker-dealers to our clients as this would create a conflict of interest.

**Directed Brokerage.** While Patterson Partners generally recommends that clients direct transactions through certain broker-dealers, we do not have discretionary authority to determine the broker-dealer to be used for the purchase or sale of securities for client accounts or the commission rates paid to a broker-dealer for client securities transactions.

In rare cases, Patterson Partners may utilize other broker-dealers when requested by the client. Clients of Patterson Partners must be aware that if they direct us to use a particular broker-dealer that it may limit our ability to achieve best execution or limit their participation in block trading. As a result, clients may pay higher commissions, have higher transaction costs, or receive less favorable prices. In situations where the client directs us to effect their transactions through a particular broker-dealer, we require such directions to be in writing.

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## TRADE AGGREGATION

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Investment decisions deemed appropriate for one client may also be deemed appropriate for other clients so that the same security may be purchased or sold at or about the same time for more than one client. When this is the case our firm may, but is not obligated to, aggregate similar trades for multiple clients and execute the trade as a single block.

When transactions are so aggregated, the securities purchased or sold will be allocated in a fair and equitable manner. Our trade allocation procedures seek to allocate investment opportunities among our clients in the fairest possible way taking into account their best interests. These procedures ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Transactions are usually aggregated to seek a more advantageous net price and/or to obtain better execution for all clients. Nevertheless, there is no assurance that the aggregation of transactions will benefit all clients equally, and in some instances combined orders could adversely affect the price or volume of a security. Also, it is possible that we may not aggregate trades in circumstances where it would be beneficial to do so.

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## **TRADE ERRORS**

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From time to time, our firm may make a trade error when servicing a client's account. When this occurs, we will correct the trade as soon as we discover the error. Trading errors will be corrected at no cost to clients. If there is a cost associated with this correction, such cost is borne by Patterson Partners and not the client. Note that we do not credit accounts for market losses unrelated to our error.

## **Item 13 Review of Accounts**

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### **ACCOUNT REVIEWS**

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Jennifer Patterson, Managing Member and Chief Compliance Officer of Patterson Partners, conducts account reviews on at least a quarterly basis for clients subscribed to our investment management services. The frequency of the review depends upon a variety of factors such as: the client's risk profile, activity in the account, economic and market conditions, and the client's preferences, if any. Additional reviews may be triggered by changes in the investment objectives or guidelines for a particular client or specific arrangements with the client.

Formal client review meetings are generally conducted on a regular basis at intervals mutually agreed upon by the advisor and the client, but no less than annually. During these reviews, any changes in the client's investment objectives are discussed so we can review our previous recommendations and make any necessary adjustments.

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### **ACCOUNT REPORTS**

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Those clients to whom Patterson Partners provides investment management services receive at least quarterly reports from our firm summarizing their account(s) and investment results. Reports may be furnished in writing or electronically as requested by the client. Clients are urged to compare the account statements they receive from their custodian to any written reports received from our firm.

Clients have direct and continuous access to their account information and related documents via the password-protected website of the qualified custodian with which their accounts are held.

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

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### **CLIENT REFERRALS**

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Patterson Partners does not compensate third-parties (or “solicitors”) to promote the investment advisory services offered by our firm, because the solicitor would have to satisfy requirements under Rule 206(4)-3 of the Advisers Act or similar state rules regarding solicitation arrangements before a cash referral fee could be paid to them.

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### **OTHER COMPENSATION**

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Patterson Partners does not receive an economic benefit from anyone who is not a client in exchange for our provision of investment advice or other advisory services.

## **Item 15 Custody**

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### **CUSTODY OF CLIENT FUNDS AND SECURITIES**

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Interactive Brokers is the qualified custodian and maintains custody of client funds in separate brokerage account(s) for each client under the client’s name. Patterson Partners personnel may assist the client in preparing paperwork to open a new brokerage account at Interactive Brokers, but only the client is permitted to authorize, by their signature, the opening of the account. Interactive Brokers sends an account-opening letter to each client at their physical mailing address after the account is approved.

Clients can access daily, monthly and annual account statements as well as daily trade confirmations through a password protected portion of Interactive Brokers’ website, [www.interactivebrokers.com](http://www.interactivebrokers.com). Clients should also expect to receive quarterly account summaries from the qualified custodian by first-class mail. Clients should carefully review the account statements and summaries received from the qualified custodian(s) and compare such official custodial statements to any account reports provided by Patterson Partners. Any client that does not receive an account statement or summary from the qualified custodian should call our firm immediately so that we can arrange to have another statement sent by the custodian.

Clients can also access information concerning their account(s) and access (and generally change) the settings for their brokerage account online on the Interactive Brokers website at [www.interactivebrokers.com](http://www.interactivebrokers.com).

## Item 16 Investment Discretion

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### DISCRETIONARY AUTHORITY

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Patterson Partners manages client securities portfolios on a discretionary basis. Patterson Partners is granted limited discretionary authority in writing by the client at the outset of the advisory relationship. This limited discretionary authorization gives Patterson Partners the authority to manage the client's investment assets at our firm's sole discretion and without consulting with the client in advance, subject to the investment objectives, guidelines and restrictions set by the client. This authorization will remain in full force and effect until we receive a written termination notice of the Engagement Agreement from the client.

Patterson Partners does not have discretionary authority to determine what broker-dealer to use or the amount of commissions that are charged by the broker-dealer or custodian.

## Item 17 Voting Client Securities

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### AUTHORITY TO VOTE CLIENT PROXIES

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Patterson Partners does not accept authority from clients with respect to voting of proxies solicited by, or with respect to, the issuers of any securities held in client portfolios. The qualified custodian holding clients' assets will send all such proxy documents it receives to the client so that the client may take whatever action the client deems appropriate. Patterson Partners does not offer clients any consulting assistance regarding proxy issues.

## Item 18 Financial Information

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### REQUIRED DISCLOSURES

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As previously discussed in this brochure, Patterson Partners may accept limited discretionary authority when providing investment management services if agreed upon in writing with the client. Patterson Partners does not require clients to prepay more than \$1,200 in fees six months or more in advance.

Patterson Partners has no financial commitments that would impair our firm's ability to meet our contractual and fiduciary commitments to our clients and has not been the subject of a bankruptcy proceeding.