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**October 1, 2024**

**FORM ADV PART 2A**

**BROCHURE**

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.

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 Patterson Partners Ltd. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Patterson Partners Ltd 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.

Since the filing of our last annual updating amendment, dated October 17, 2023, we have the following material changes to report:

### Item 5 - Fees and Compensation

*Time Based Fees* - We will charge for time spent based on hourly fees ranging from \$321 to \$649 for professional staff. Administrative staff are charged based on hourly fees ranging from \$115 to \$209 per hour.

Refer to Item 5 - Fees and Compensation for further information.

### Item 3 Table Of Contents

Item 1 Cover Page	Page 1
Item 2 Material Changes	Page 2
Item 3 Table Of Contents	Page 3
Item 4 Advisory Business	Page 4
Item 5 Fees and Compensation	Page 10
Item 6 Performance-Based Fees and Side-By-Side Management	Page 13
Item 7 Types of Clients	Page 13
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss	Page 14
Item 9 Disciplinary Information	Page 19
Item 10 Other Financial Industry Activities and Affiliations	Page 19
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	Page 20
Item 12 Brokerage Practices	Page 21
Item 13 Review of Accounts	Page 22
Item 14 Client Referrals and Other Compensation	Page 23
Item 15 Custody	Page 23
Item 16 Investment Discretion	Page 23
Item 17 Voting Client Securities	Page 23
Item 18 Financial Information	Page 24
Item 19 Additional Information	Page 24

## Item 4 Advisory Business

### 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. We have been providing investment advisory services outside of the United States since 2006 and became an SEC-registered investment adviser in December 2019. 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.

### ADVISORY PROGRAMS

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Patterson Partners Ltd. is a fee-only firm, meaning the only compensation we receive is from our Clients for our services. From time-to-time, Patterson Partners Ltd. recommends third-party professionals such as attorneys, accountants, insurance agents or other financial professionals. Clients are never obligated to utilize any third-party professional we recommend. Patterson Partners Ltd is not affiliated with nor does Patterson Partners Ltd. receive any compensation from third-party professionals we may recommend.

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 continuous advice to a Client regarding the investment of Client funds based on the individual needs of the Client.

- **Investment Management Services.** To engage us for our Investment Management 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 Management Services may be obtained from Patterson Partners through a separate Engagement Agreement. 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 a recommendation may be viewed as a conflict of interest.

Through personal discussions in which goals and objectives based on a Client's particular circumstances are established, we develop a Client's personal investment policy or an investment plan with an asset allocation target and create and manage a portfolio based on that policy and allocation targets. We will also review and discuss a Client's prior investment history, as well as family composition and background. Account supervision is guided by the stated objectives of the Client (e.g. maximum capital appreciation, growth, income, or growth and income), as well as tax considerations and risk tolerance.

We primarily advise our Clients regarding investments in equities (common stocks and equivalents), mutual funds, exchange traded funds, U.S. treasuries and bonds, municipal securities and cash and cash equivalents. 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.

Additionally, we may advise you on various types of investments based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship. Since our investment strategies and advice are based on each client's specific financial situation, the investment advice we provide to you may be different or conflicting with the advice we give to other clients regarding the same security or investment.

Although we seek 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.

We provide 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 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 Management 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.**

- **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 areas. 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 protect

Financial planning involves an evaluation of a Client's current and future financial state by using currently known variables to predict future cash flows, asset values, and withdrawal plans. The key defining aspect of financial planning is that through the financial planning process, all questions, information, and analysis will be considered as they affect and are affected by the entire financial and life situation of the Client. Clients purchasing this service will receive a written or electronic report summarizing our findings with potential steps and choices that should be considered to improve his or her financial position and/or achieve stated goals.

In general, the financial plan will address some or all of the following areas of concern. The Client and Patterson Partners Ltd. will work together to select specific areas to cover. These areas may include, but are not limited to the following:  
ion 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 needed to achieve your financial goals, typically focusing on financial independence as the primary objective. This can include individual savings, managed investment accounts, retirement plans, business ownership, real estate, home ownership and non-traditional assets. For situations where projections show less than the desired results, we may make recommendations, including those that may impact the original projections by adjusting certain variables (e.g. working longer, saving more, spending less, adjusting asset allocation strategy).

If you are near retirement or already retired, advice may be given on appropriate distributions strategies to minimize the likelihood of running out of money or having to adversely alter spending during your retirement years.

Financial Planning and Consulting Services are offered on a Project-Based and/or via an Ongoing engagement.

**Ongoing Financial Planning.** This service involves working one-on-one with an advisor over an extended period of time. Through this ongoing arrangement, Clients are expected to collaborate with the advisor to develop and assist in the implementation of their Life+Wealth Achievement Plan™ (the "plan").

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 at least two 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.

**Project-Based Financial Planning.** We provide project-based financial planning services on a limited scope one-time engagement. Project-Based Financial Planning is available for Clients looking to address specific questions or issues. Project-Based Financial Planning typically includes one of the following, and unless otherwise specified, the Client will be ultimately responsible for the implementation of the financial plan.

- **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 often combined with other financial planning services needed to ensure that the client's Cross-Border Life+Wealth Plan™ is completed and implemented.
- **Divorce** Patterson Partners will work with clients going through divorce to organize financial documents, analyze expenses and assets, prepare detailed budgets, analyze the long-term implications of multiple settlement options, and produce financial statements needed to make

informed decisions relating to the divorce process.

- **U.S. Tax Planning** may include ways to minimize current and future income taxes based on a specific set of facts, including consideration of expatriation. We can prepare tax projections and estimates throughout the year and provide tax research when warranted. In certain situations, we may recommend that you consult with an attorney before initiating any recommendations. We will participate in meetings or phone calls between you and outside professionals with your approval.

For clients who receive our Financial Planning services, we must state when a conflict exists between the interests of our firm and the interests of our Client. The Client is under no obligation to act on Patterson Partners' 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.

**Educational Seminars/Speaking Engagements** We may provide educational seminars for those desiring general advice on personal finance and investing. The content of these seminars will vary depending upon the needs of the attendees. These seminars are purely educational in nature and do not involve the sale of any investment products. The information presented will not be based on any individual person's need, nor does Patterson Partners Ltd provide individualized investment advice to attendees during these seminars.

**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 services to help clients navigate the complexities. Patterson Partners Ltd. will prepare individual, trust and gift and estate tax returns for clients. 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 complements our advisory services by facilitating the completion of day-to-day tasks. By organizing and maintaining accurate financial records we are also able to 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 statements from personal finance software.

- **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 an 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 their Employer Plan assets to an U.S. IRA, Patterson Partners may earn asset-based fees as a result. In contrast, leaving assets in their Employer Plan or rolling the assets to a plan sponsored by their 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 an 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.

### **IRA Rollover Recommendations**

Effective December 20, 2021 (or such late date as the US Department of Labor ("DOL") Field Assistance Bulletin 2018-02 ceases to be in effect), for purposes of complying with the DOL's Prohibited Transaction Exemption 2020-02 ("PTE 2020-02") where applicable, we are providing the following acknowledgement to you. When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

We benefit financially from the rollover of your assets from a retirement account to an account that we manage or provide investment advice, because the assets increase our assets under management and, in turn, our advisory fees. As a fiduciary, we only recommend a rollover when we believe it is in your best interest.

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

**Client Assets Under Management** - As of July 2024, Patterson Partners managed approximately \$27,147,741 of client assets on a discretionary basis and \$4,187 is managed on a non-discretionary basis or is unsupervised.

## Item 5 Fees and Compensation

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.

### INVESTMENT ADVISORY SERVICES-INVESTMENT MANAGEMENT

In consideration for providing portfolio management services and pursuant to the Engagement Agreement with the client, Patterson Partners charges an annual asset-based fee based on a percentage of the assets in your account as set forth in the following annual fee schedule:

Assets Under Management	Annual Fee
\$0 to \$1,000,000	1.00%
Next \$2,000,000	0.75%
Next \$7,000,000	0.50%
Over \$10,000,000	0.45%

The annual fee is paid monthly in arrears based on the average daily balance of the Client's accounts. The advisory fee is a blended tier. For example, for assets under management of \$2,000,000 a Client would pay 1.00% on the first \$1,000,000 and 0.75% on the remaining balance.

In determining the advisory fee, we may allow accounts of members of the same household to be aggregated. Patterson Partners Ltd. relies on the valuation as provided by Client's custodian in determining assets under management.

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 cancelling the existing arrangement. All fees will be supported by an invoice to the client itemizing the fee. 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.

## **FIXED FEES**

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### **Ongoing Financial Planning**

We charge a recurring, fixed fee for Ongoing Financial Planning. Fees start at \$6,500 per year for a single individual and \$8,500 per year for a couple. For the client's convenience, 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.

### **Project-Based Financial Planning**

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

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. Fees are negotiable and the final agreed upon fee will be outlined in your Advisory Contract. The agreed fee may be paid in installments. 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.

### **U.S. Tax Compliance Services**

Fixed fees for U.S. Tax Compliance services generally start at \$3,500. 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 obtaining all relevant information and estimated tax calculation vouchers will also affect the fee. The agreed fee will be outlined in your Advisory Contract and the agreed fee may be paid in installments.

### **Daily Money Management Services**

Fees generally start at a 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.

## TIME BASED FEES

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The following services may be engaged based on time spent:

- 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 \$321 to \$649 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 \$115 to \$209 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.

## EDUCATIONAL SEMINAR/SPEAKING ENGAGEMENT FEES

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Seminars and workshop attendees may be assessed a fee from \$0 to \$500 per participant. The fee range is based on the content, amount of research conducted, the number of hours of preparation needed. Payment will be due at the beginning of any event.

## TERMINATION AND REFUNDS

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### **Investment Management**

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. Since fees are paid in arrears, no refund will be needed upon termination of the Agreement.

### **Ongoing Financial Planning**

The Agreement may be terminated with written notice at least thirty (30) days in advance. Since fees are paid in arrears or installments, any earned unpaid fees will be billed for the amount of work performed by us up to the point of termination and all fees will be due and payable on the termination date. Any unearned fees will be refunded to the client.

### **Project-Based and Time Spent Financial Planning and Other Services**

These services are not ongoing engagements, thus upon receipt of the final fees, the Agreement will automatically be terminated. Clients may terminate with written notice of at least ten (10) days. Any earned unpaid fees will be billed for the amount of work performed by us up to the point of termination and all fees will be due and payable on the termination date. Any prepaid, unearned fees will be refunded to the Client upon termination.

### **Educational Seminar/Speaking Engagements**

Should any fees collected in advance exceed the amount of work conducted, we will provide a prorated refund within 30 days from the notice of 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.

## **ADDITIONAL FEES AND EXPENSES**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. 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 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, 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 *Fees and Compensation* 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**

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.

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 worth with a spouse that exceeds \$1,000,000. However, in our sole discretion we 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.).

We may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum.

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

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.

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.

<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.

### **How We Analyze Your Situation**

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.

<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.

## Investment Strategies

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.

## Risk of Loss

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.

**Municipal Securities:** Municipal securities, while generally thought of as safe, can have significant risks associated with them including, but not limited to: the credit worthiness of the governmental entity that issues the bond; the stability of the revenue stream that is used to pay the interest to the bondholders; when the bond is due to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same amount of interest or yield to maturity.

**Money Market Funds:** A money market fund is technically a security. The fund managers attempt to keep the share price constant at \$1 per share. However, there is no guarantee that the share price will stay at \$1 per share. If the share price goes down, you can lose some or all of your principal. The U.S. Securities and Exchange Commission ("SEC") notes that "While investor losses in money market funds have been rare, they are possible." In return for this risk, you should earn a greater return on your cash than you would expect from a Federal Deposit Insurance Corporation ("FDIC") insured savings account (money market funds are not FDIC insured). Next, money market fund rates are variable. In other words, you do not know how much you will earn on your investment next month. The rate could go up or go down. If it goes up, that may result in a positive outcome. However, if it goes down and you earn less than you expected to earn, you may end up needing more cash. A final risk you are taking with money market funds has to do with inflation. Because money market funds are considered to be safer than other investments like stocks, long-term average returns on money market funds tends to be less than long term average returns on riskier investments. Over long periods of time, inflation can eat away at your returns.

**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.***

<sup>9</sup> Qualified Dividend Income

## **Item 9 Disciplinary Information**

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. We do not have any required disclosures under this item.

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

We have not provided information on other financial industry activities and affiliations because 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 adviser;
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; and/or
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**

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.

### **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. To mitigate this conflict of interest, 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.

### **Aggregated Trading**

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account. We may also combine our orders to purchase securities with your orders to purchase securities ("aggregated trading"). Refer to the *Brokerage Practices* section in this brochure for information on our aggregated trading practices.

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. To eliminate this conflict of interest, 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.

## **Item 12 Brokerage Practices**

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), overall quality of services, reputation, availability of investment research, 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**

We do not have any soft dollar arrangements.

### **Economic Benefits**

As a registered investment adviser, we have access to the institutional platform of your account custodian. As such, we will also have access to research products and services from your account custodian and/or other brokerage firm. These products are in addition to any benefits or research we pay for with soft dollars, and may include financial publications, information about particular companies and industries, research software, and other products or services that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities. Such research products and services are provided to all investment advisers that utilize the institutional services platforms of these firms and are not considered to be paid for with soft dollars. However, you should be aware that the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.

**Brokerage for Client Referrals.**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

**Directed Brokerage.**

We routinely require that you direct our firm to execute transactions through Interactive Brokers. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

**Aggregated Trades**

We combine multiple orders for shares of the same securities purchased for discretionary advisory accounts we manage (this practice is commonly referred to as "aggregated trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. Generally, participating accounts will pay a fixed transaction cost regardless of the number of shares transacted. In certain cases, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs on any given day. In the event an order is only partially filled, the shares will be allocated to participating accounts in a fair and equitable manner, typically in proportion to the size of each client's order. Accounts owned by our firm or persons associated with our firm may participate in aggregated trading with your accounts; however, they will not be given preferential treatment.

**Mutual Fund Share Classes**

Mutual funds are sold with different share classes, which carry different cost structures. Each available share class is described in the mutual fund's prospectus. When we purchase, or recommend the purchase of, mutual funds for a client, we select the share class that is deemed to be in the client's best interest, taking into consideration the availability of advisory, institutional or retirement plan share classes, initial and ongoing share class costs, transaction costs (if any), tax implications, cost basis and other factors. We also review the mutual funds held in accounts that come under our management to determine whether a more beneficial share class is available, considering cost, tax implications, and the impact of contingent or deferred sales charges.

**Item 13 Review of Accounts**

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.

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**

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.

In addition, we receive an economic benefit from Interactive Brokers in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Interactive Brokers. These products and services, how they benefit us, and the related conflicts of interest are described above (see *Item 12 - Brokerage Practices*). The availability to us of Interactive Broker's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with your account custodian.

## **Item 15 Custody**

Your independent custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other qualified custodian. You will receive account statements from the qualified custodian(s) holding your funds and securities 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.

We will also provide statements to you reflecting the amount of the advisory fee deducted from your account. You should compare our statements with the statements from your account custodian(s) to reconcile the information reflected on each statement. If you have a question regarding your account statement, or if you did not receive a statement from your custodian, contact us immediately at the telephone number on the cover page of this brochure.

## **Item 16 Investment Discretion**

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. Refer to the *Advisory Business* section in this brochure for more information on our discretionary management services.

## **Item 17 Voting Client Securities**

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. We will not vote proxies on behalf of your advisory accounts. 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.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitations to vote proxies.

## **Item 18 Financial Information**

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.

## **Item 19 Additional Information**

### **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.

### **Class Action Lawsuits**

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 nor do we 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.