

DISCLOSURE BROCHURE

THE INVESTMENT ADVISERS ACT OF 1940 RULE 203-1
Part 2A of Form ADV: Firm Brochure



Firm IARD/CRD #: 158095

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REGISTERED INVESTMENT ADVISOR

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This Disclosure Brochure provides information about the qualifications and business practices of The Patterson CPA Group, Inc., which should be considered before becoming a client. You are welcome to contact us if you have any questions about the contents of this brochure - our contact information is listed to the right. Additional information about The Patterson CPA Group, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

The information contained in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Administrator. Furthermore, the term "registered investment advisor" is not intended to imply that The Patterson CPA Group, Inc. has attained a certain level of skill or training.

BROCHURE
DATED

1
JANUARY
2020



MATERIAL CHANGES

ITEM 2

There are no material changes to report. This Disclosure Brochure has been reviewed and is current as of the date indicated on the cover.



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ADVISORY BUSINESS

Who We Are

Patterson Financial¹ (hereinafter referred to as “the Company”, “we”, “us” and “our”) is a fee-based registered investment advisor² offering financial services designed to assist you, our client³, achieve the financial stability, security, and independence you desire.

Owners

The following person controls the Company:

Name	Title	CRD#
Christopher A. Patterson	President & Chief Compliance Officer	4039371

Our Mission

Our mission is to be a trusted advocate you turn to for clear, objective, and sound financial advice to guide you on a course to fulfill **today’s needs, tomorrow’s dreams**, and a strategy to build a **lasting legacy** for future generations.

Together we will do our best to **keep you focused** on where you want to go, **offer advice** on how best to get there, and continually remind you of the importance of maintaining a **disciplined financial strategy** to realize your financial goals.

Assets Under Management

As of January 1, 2020, our assets under management totaled:

Discretionary Accounts.....	\$8,900,139
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We do not offer non-discretionary investment management services.

What We Do

We provide **financial solutions** that stress the importance of you making fiscally responsible decisions and disciplined economic choices in your personal life, so we can effectively help you achieve your monetary goals.

Focus of our advisory services begins with identifying your standards of living and quality of lifestyle expectations. We will accomplish this through an initial **Discovery Meeting** where we will review the financial documents we asked you to bring for discussion. Together questions will be asked, information shared, and an evaluation made as to whether we should move to the next step.

¹ Patterson Financial is the doing-business-as name for The Patterson CPA Group, Inc. The Patterson CPA Group, Inc. was incorporated in January 2008 and became licensed as a registered investment advisor in August 2011.

² The term “registered investment advisor” is not intended to imply that Patterson Financial has attained a certain level of skill or training. It is used strictly to reference the fact that we are “Registered” as an “Investment Advisor” with the Florida Office of Financial Regulation - and with such other regulatory agencies that may have limited regulatory jurisdiction over our business practices.

³ A client could be an individual and their family members, a family office, a foundation or endowment, a charitable organization, a corporation and/or small business, a trust, a guardianship, an estate, a retirement plan, or any other type of entity to which we choose to give investment advice.

During the meeting, we will:

- ❖ Learn about your core values and guiding principles
- ❖ Seek to understand your financial concerns and how you have been addressing them
- ❖ Discover your financial objectives and what success looks like for you
- ❖ Create an internal profile consisting of your current income and expenses, assets, career objectives, investment goals, risk tolerance and investment time horizon, targeted rate of return, and prior investment experience, along with personal information about your relationships, your values, and interests

Moving forward from the Discovery Meeting, should you choose to engage us for our advisory services, we will begin the process of identifying your life goals (i.e., core values, family, monetary needs, future plans, etc.). The best advice we could offer you is that success, achievement, and contentment in life have little to do with personal wealth but are instead related to your life goals. We will make every effort to embrace these life goals and develop economic solutions that reflect how *you* define true wealth -- not us. Our services include:

Portfolio Management

Our portfolio management strategies focus on designing and managing a diversified allocation of equity (“stock”) positions, Exchange-Traded Funds (“ETFs”), and Investment Company (“mutual funds”) products to achieve the best return on your investment capital⁴.

Information regarding our management fee structure is disclosed under “Portfolio Management Fee” in Item 5, “Fees & Compensation” and further description of our investment strategies under Item 8, “Methods of Analysis, Investment Strategies & Risk of Loss”.

Financial Planning

Financial planning is an essential tool to help navigate unexpected events with the ultimate goal of providing the confidence and security necessary during both the working years (wealth accumulation) and retirement years (wealth distribution) of your life. However, such **planning requires a lifetime commitment**, not only from you but from us as well, your financial planner.

What is a Financial Plan?

Financial planning is an evaluation of the investment and financial options available to you based upon your defined life goals and choices. A well-designed plan is a step-by-step process intended to identify and clarify purpose, personal and family core values, needs, and priorities to align your financial decisions with your goals in all areas of your life and business. Planning includes:

1. Arriving at a series of decisions and action items based on current and future financial circumstances and defined goals and objectives;
2. Projecting the consequences of these decisions for you in the form of an economic plan - a **working blueprint**; and,
3. Implementing the protocols outlined in the plan to achieve the plan objectives.

⁴ You may, at any time, impose restrictions in writing on the securities we may recommend (i.e., limit the types/amounts of particular securities purchased for your account, etc.).

Once complete, the financial plan, or working blueprint, becomes the benchmark that is used to help us evaluate where you are in achieving your financial goals, needs, and objectives.

Financial Planning Composition

All forms of financial planning are a mutually defined review, analysis and evaluation of your personal financial needs and goals. In general, our financial planning may encompass one or more of the following areas of financial need as communicated by you:

- ❖ Identify and clarify personal and family core values, mission, vision, and goals.
- ❖ Preparation of the financial plan, which encompasses your:
 - Current financial situation.
 - Liquidity and asset preservation needs.
 - Wealth accumulation and growth.
 - Wealth distribution and transfer.

More specifically planning may include, but is not limited to, the following modules:

- Financial Statements - Cash Flow and Balance Sheet.
- Savings and Emergency Reserves.
- Asset Allocation and Investment Portfolio Analysis.
- Potential Income Tax consequences in collaboration with your tax advisor.
- Risk Management and Insurance Analysis.
- Retirement Income Analysis.
- Long-Term Healthcare.
- Estate and Family Legacy Planning.
- Business Succession Planning.
- ❖ Outline of recommendations, strategies, solutions and resources.
- ❖ Prioritizing and implementing the written action plan.
- ❖ Investment consultations that allow us to create and implement a customized investment strategy tailored to your long-term investment goals.
 - Prepare a professional investment proposal that can include a written Investment Policy Statement (“IPS”), if requested.
- ❖ Facilitate meetings with you and/or other specialists within our network.
- ❖ Coordinate and facilitate meetings with family members, business associates, partners or other key individuals to assist with implementing your action plan.

Preparing the Financial Plan

We gather the necessary information to complete our analysis through personal interviews, review of various documents supplied by you, and completion of one or more profile questionnaires. Information gathered may include statements regarding your current financial status, a list of assets, insurance, wills and/or trust documents, income and expenses, Social Security eligibility, and other information⁵ based on your financial status and future goals.

For information on our fees for financial planning, see “Financial Planning Fee” under Item 5, “Fees & Compensation.”

⁵ All information provided by and to you will be kept entirely confidential. Such information will be disclosed to third parties only with mutual written consent or as may be permitted by law.

FEES & COMPENSATION

ITEM 5

Discovery Meeting

Depending on prior conversations before we schedule the initial Discovery Meeting to review the financial documents requested you bring for discussion, we will inform you on whether we will bill you for our time. Such fee will be a **fixed fee not to exceed \$500**. The objectives we strive to accomplish with you during this meeting are to:

- ❖ Diagnose your current financial need;
- ❖ Address your financial concerns and answer your questions on how we can assist you;
- ❖ Recommend financial resolutions aimed at lowering costs, reducing risks, increasing expected returns, and/or increasing tax efficiency to improve the likelihood of successfully achieving your goal;
- ❖ Explain our investment methodology and how our investment strategies work; and,
- ❖ Explain the benefits of financial planning and how a comprehensive evaluation of wealth management needs is beneficial beyond just managing your investable assets.

Should a fee be negotiated prior to the Discovery Meeting, **such fee will be due at the end of the session**. If you wish to engage us for portfolio management or request additional planning, we will reduce the cost of the Discovery Meeting from the contracted engagement.

If you wish no further interaction with us, you will be responsible for implementing any recommendations coming out of the Discovery Meeting. Once this session is over, all financial services discussed will have been concluded and we are not responsible to implement the advice or for any on-going supervision, monitoring, and/or reporting.

Portfolio Management Fee

Portfolio management services are provided on an **asset-based fee** arrangement. Regardless of the portfolio account size, **our management fee will not exceed 1.50% annually**. The fee will be calculated **monthly** by multiplying the **aggregate fair market value** of your account on the last business day of the previous **calendar month** by one-twelfth of the annual percentage rate (i.e., $1.50\% \div 12 = 0.125\%$).

We generally require a minimum initial investment of **\$250,000** to open a managed account; however, we retain the right to **waive or reduce** this minimum if we feel circumstances are warranted.

Protocols for Portfolio Management

The following protocols establish how we handle our portfolio management accounts and what you should expect when it comes to: (i) managing your account; (ii) your bill for investment services; (iii) deposits and withdrawals of funds; and (iv) other fees charged to your account(s).

Discretion

We will establish discretionary trading authority on all management accounts to execute securities transactions at any time without your prior consent or advice.

You may, at any time however, impose restrictions, **in writing**, on our discretionary authority (i.e., limit the types/amounts of particular securities purchased for your account, etc.).



Billing

Your account will be **billed monthly in arrears** based on the aggregate, fair market value of your portfolio. For **new managed** accounts opened in in the middle of the month, our fee will be based upon a **pro-rated calculation of your assets managed** for that first monthly period.

Advisory fees will be deducted first from any money market funds or cash balances. If such assets are insufficient to satisfy payment of such fees, a portion of the account assets will be liquidated to cover the fees.

Fee Exclusions

The above fees for all of our portfolio management services are exclusive of any charges imposed by the custodial firm who has custody of your account; including, but not limited to: (i) any Exchange/SEC fees; (ii) certain transfer taxes; (iii) service or account charges, such as, postage/handling fees, electronic fund and wire transfer fees, auction fees, debit balances, margin interest, certain odd-lot differentials and mutual fund short-term redemption fees; and (iv) brokerage and execution costs associated with securities held in your managed account. There can also be other fees charged to your account that are unaffiliated with our management services.

In addition, all fees paid to us for portfolio management services are separate from any fees and expenses charged on mutual fund shares by the Investment Company or by the investment advisor managing the mutual fund portfolios. These expenses generally include management fees and various fund expense, such as 12b-1 fees. Redemption fees, account fees, purchase fees, contingent deferred sales charges, and other sales load charges may occur but are the exception within managed accounts at institutional custodians. A complete explanation of these expenses charged by the mutual funds/ETFs is contained in each mutual fund's or ETF's prospectus. You are encouraged to carefully read the fund prospectus.

For more information on the custodial firm that we will recommend to custody your portfolio accounts, see Item 12, "Brokerage Practices".

Termination of Portfolio Management Services

To terminate our portfolio management services, either party (you or us) by **written notification to the other party**, may terminate the Investment Advisory Agreement at any time. Such notification should include the date the termination will go into effect along with any final instructions on the account (i.e., liquidate the account, finalize all transactions and/or cease all investment activity).

In the event termination does not fall on the first/last day of a calendar month, **we will bill your account a pro-rated management fee** based upon the number of days during the month we managed your account from when the termination notice went into effect. **Once the termination of investment advisory services has been implemented, neither party has any obligation to the other** - we no longer earn management fees or give investment advice and you become responsible for making your own investment decisions.

Financial Planning Fee

The cost to prepare a financial plan depends on the scope of engagement, complexity of service requested, the nature of your personal and financial situation, and any other factors that may affect the project to perform the services you desire.

Financial planning services are offered for a **fixed fee not to exceed \$6,000** based on a **negotiable hourly rate not to exceed \$250 per hour** for the initial engagement. At minimum, **we require two (2) hours of initial consultation** to conduct an adequate interview to determine your monetary needs, financial goals, and investment objectives to then prepare the planning documents you desire. Planning fees may be significantly **reduced, or waived, if we are managing your investment portfolio(s)**.

The Financial Planning fee will be fully disclosed up-front in a Financial Planning Agreement, which will include the cost⁶ to review your personal/financial information and prepare the financial planning documents. Our preference is for the fee to be paid in full up front; however, we will also accept one-half the fee at the time the Agreement is signed, with the remaining balance due upon completion of the financial plan⁷.

Planning for Your Future

It is important to note that **planning is dynamic - never static**. It therefore must be periodically re-evaluated. A financial plan is a roadmap that is only as good as how well it reflects your current financial position to then guide you on a clear path to a future financial destination. **Changing circumstances in your life often necessitate annual reviews designed to systematically address these unexpected diversions to continually keep you on the right path.**

Annual Review

Once the initial financial planning service has been completed, we will establish future “Annual Review” dates if you choose to continue as a financial planning client or you are a Portfolio Management client with on-going financial planning services. The Annual Reviews generally occur **after the first anniversary** and will be used to review and make adjustments, if necessary, to the financial plan. Together we will set the calendar dates for your future reviews; inasmuch, an Annual Review may consist of three or four visits during the calendar year.

Annual Review Fee

The annual review fee **will not exceed \$3,000 annually**. This fee will be billed at the beginning of each calendar month (roughly \$250 per month) **starting with the first calendar month after the anniversary** of when the financial plan was completed. However, **if you have experienced significant change in your life circumstances since the date of your previously prepared plan, the fee may be higher.**

We reserve the option to waive our annual review fee if we are currently managing your investments. If we are **not managing** your investment portfolio and you want us to review your financial plan, we will notify you of the cost to perform the desired work before commencing with any planning.

Financial Planning Termination

You can terminate the Financial Planning Agreement at any time prior to the presentation of any final planning documents. We will be compensated through the date of termination for time spent in design of such financial documents at the hourly rate agreed to in the

⁶ Rarely will a fee exceed those costs outlined in the Agreement. However, there can be instances where we did not contract with you to perform a particular task and therefore merit notifying you of the additional cost prior to beginning such services.

⁷ The recommendations made in a financial plan are generally completed within 30 to 45 days from you signing the Agreement. However, implementing the plan using outside professionals (i.e., attorneys, CPAs, etc.) may require additional time that is out of our control. Therefore, when we refer to the completion of the estate plan, we are referring to us (you and us together) finalizing your estate benchmarks/objectives before approaching any outside professional.

Agreement. If you have prepaid any fees, such un-earned fees will be returned on a pro-rata basis. **After the financial plan has been completed and presented to you, termination of the Agreement is no longer an option.**

Annual Review services can be terminated at any time.

PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT

ITEM 6

We do not charge fees based on a share of capital gains or the capital appreciation of the assets held in your accounts.

TYPES OF CLIENTS

ITEM 7

The types of clients we offer advisory services to are described above under “Who We Are” in the Item 4, the “Advisory Business” section. Our minimum account size for portfolio management is disclosed above under “Portfolio Management Fee” in Item 5 above in the, “Fees & Compensation” section of this Brochure.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

ITEM 8

Our portfolio management services are designed to build long-term wealth while maintaining risk tolerance levels acceptable to you. We combine your financial needs and investment objectives, time horizon, and risk tolerance to yield an effective investment strategy. Your portfolio is then tailored to these unique investment parameters using a diversified allocation of equity (“stock”) positions, Exchange-Traded Funds (“ETFs”), and Investment Company (“mutual funds”) products to achieve the best return on your investment capital.

Methods of Analysis

In analyzing securities to develop an efficient asset allocation portfolio, we will use a combination of analysis techniques to gather information and to guide us in our management decisions.

Fundamental Analysis

Fundamental analysis considers: efficiency ratios, growth rates, enterprise value, economic conditions, earnings, cash flow, book value projections, industry outlook, politics (as it relates to investments), historical data, price-earnings ratios, dividends, general level of interest rates, company management, debt ratios and tax benefits.

RISKS - Fundamental analysis places greater value on the long-term financial structure and health of a company, which may have little to no bearing on what is actually happening in the market place. Investing in companies with sound financial data/strength and a history of health returns can be a good long-term investment to hold in your portfolio; however, such fundamental data does not always correlate to the trading value of the stock on the exchanges. In the short-term, the stock can decrease in value as investors trade in other market sectors.

Technical Analysis

Technical analysis utilizes current and historical pricing information to help us identify trends in the broader domestic and foreign equity and fixed income markets, and in the underlying assets themselves. This may involve the use of various technical indicators, such as moving averages and trend-lines, among others.

RISKS - Technical analysis is charting the historical market data of a stock, taking into consideration current market conditions, to forecast the direction of a future stock price rather than using fundamental tools for evaluating a company's financial strength. Technical analysis focuses on the price movement of a security trading in the market place. This is an ideal tool for short-term investing to identify ideal market entry/exit points. However, no market indicator is absolutely reliable, and your investment portfolio can underperform in the short-term should the market indicators be incorrect.

Fundamental analysis provides us with a broad long-term view of a security that begins with determining a company's value and the strength of its financials while **technical analysis** is short-term focusing on the statistics generated by market activity.

Investment Strategies

We are not bound to a specific investment strategy or ideology for the management of your investment portfolio. We understand markets and **money made** from increased stock values has greater risk (volatility) than **money earned** from dividends (secure and stable) in income-oriented securities. Our goal is to balance making and earning money by maintaining a disciplined management approach, regardless of the strategy, so as to not sacrifice long-term goals for short-term gains.

Asset Allocation

Asset allocation is a broad term used to define the process of selecting a mix of asset classes and the efficient allocation of capital to those assets by matching rates of return to a specified and quantifiable tolerance for risk. From this we may use more narrow and aggressive asset allocation derivatives.

Other features of our asset allocation strategies can utilize these portfolio-modeling structures for analyzing various possible portfolio groupings of securities.

Modern Portfolio Theory

Modern Portfolio Theory ("MPT")⁸ is the analysis of a portfolio of stocks as opposed to selecting stocks based on their unique investment opportunity. The objectives of MPT is to determine your preferred level of risk and then construct a portfolio that seeks to maximize your expected return for that given level of risk.

Tactical Allocation Modeling

Tactical asset allocation is a dynamic investment strategy that actively rebalances a portfolio allocation mix to take advantage of short-term market pricing anomalies or strong market sectors.

⁸ The "Portfolio Theory" was developed and introduced by Harry M. Markowitz in his paper "Portfolio Selection" published in 1952 by the *Journal of Finance* while he was working on his PhD doctoral thesis at the University of Chicago. Mr. Markowitz further refined his theory during the latter part of the 1950's and on into the 70's. Along the way, his theory became known as the "Modern Portfolio Theory". Mr. Markowitz won the Nobel Memorial Prize in Economic Sciences in 1990 as a co-laureate along with William Sharpe.

Capital Asset Pricing Model (“CAPM”)

CAPM⁹ is a model for pricing an individual security or portfolio and its relationship to an expected return to help calculate investment risk and what the return on an investment should be expected.

Sharpe Ratio Model

Sharpe Ratio¹⁰ is a risk-adjusted measure of return often used to evaluate the performance of a portfolio. The Sharpe Ratio is the average return earned in excess of the risk-free rate per unit of volatility.

Dollar-Cost Averaging

Dollar-cost averaging is the technique of buying a fixed dollar amount of securities at regularly scheduled intervals, regardless of the price per share. This will gradually, over time, decrease the average share price of the security. Dollar-cost averaging lessens the risk of investing a large amount in a single investment at the wrong time.

Managing Risk

The biggest risk to you is the risk that the value of your investment portfolio will decrease due to moves in the market. This risk is referred to as the **market risk factor**, also known as variability or volatility risk. Other important risk factors:

- ❖ **Interest Rate Risk** - Interest rate risk affects the value of bonds more than stocks. Essentially, when the interest rate on a bond begins to rise, the value (bond price) begins to drop; and vice versa, when interest rates on a bond fall, the bond value rises.
- ❖ **Equity Risk** - Equity risk is the risk that the value of your stocks will depreciate due to stock market dynamics causing one to lose money.
- ❖ **Currency Risk** - Currency risk is the risk that arises from the change in price of one currency against that of another. Investment values in international securities can be affected by changes in exchange rates.
- ❖ **Liquidity Risk** - A financial risk where a company is unable to meet short-term financial obligations without selling either hard-assets or finding another way to reduce the discrepancy between cash flow and debt obligations.
- ❖ **Inflation Risk** - The reduction of purchasing power of investments over time.
- ❖ **Commodity Risk** - Commodity risk refers to the uncertainties of future market values and the size of future income caused by the fluctuation in the prices of commodities (i.e., grains, metals, food, electricity, etc...).

The risk factors we have cited here are not intended to be an exhaustive list but are the most common risks your portfolio will encounter. Other risks that we haven’t defined could be political, and over-concentration to name a few. However, notwithstanding these risk factors, the most important thing for you to understand is that regardless of how we analyze securities or the investment strategy and methodology we use to guide us in the management of your investment portfolio, **investing in a security involves a risk of loss that you should be willing and prepared to bear; and furthermore, past market performance is no guarantee that you will see equal or better future returns on your investment.**

⁹ Capital Asset Pricing Model is the work of financial economist William Sharpe and introduced in his book “Portfolio Theory and Capital Markets” published in 1970 by *McGraw-Hill*. Mr. Sharpe expanded Modern Portfolio Theory to include two types of risk: Systematic Risk and Unsystematic Risk. Mr. Sharpe won the Nobel Memorial Prize in Economic Sciences in 1990 as a co-laureate along with Harry Markowitz.

¹⁰ Nobel laureate and economist William F. Sharpe developed the Sharpe Ratio.

DISCIPLINARY INFORMATION

ITEM 9

We are required to disclose disciplinary events that may be material for your evaluation of our advisory practices; therefore, pursuant to Item 9.B. of the Form ADV Part 2A: Firm Brochure, question 9.B.2.(d) asks that we disclose:

“An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which your firm or a management person was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority imposing a civil money penalty of more than \$2,500 on your firm or a management person.”

Through the course of conducting a routine on-site examination, the Florida Office of Financial Regulation (“OFR”), determined The Patterson CPA Group, Inc. and Christopher A. Patterson violated Florida rules and regulations by: (i) not maintaining an accurate Form ADV; (ii) not maintaining an accurate U-4 for Mr. Patterson; (iii) not filing financial statements in a timely fashion with OFR for the 2012, 2013, and 2014 fiscal years; and (iv) not maintain the required books and records in an easily accessible place in our principal office.

So as to not incur any further legal costs defending the Company and himself against the allegations made by OFR in their Administrative Complaint, Mr. Patterson consented to the findings by OFR, without admitting or denying the allegations, and settled with an administrative fine of \$4,000. The fine has been paid pursuant to the terms of the Stipulation and Consent Agreement finalized on August 29, 2016. No further action has been taken by OFR and the Company is operating in good standing.

OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS

ITEM 10

Accounting Activities & Affiliations

In addition to the investment advisor services we offer, The Patterson CPA Group, Inc., also owns an H&R Block franchise to provide tax and accounting services to individuals and businesses through Christopher A. Patterson. The accounting service Mr. Patterson provides, as a certified public accountant, includes certain advising and consulting activities that are separate and distinct from our advisory services. The time Mr. Patterson devotes to these accounting activities may range from 50% to 100% depending on his client’s needs and the time of the year.

Referrals to, from, and between the investment services and accounting practices of our H&R Block franchise can create a potential conflict of interest to our fiduciary duty to be impartial with our advice and to keep your interests ahead of our own. In being able to recommend both services, Mr. Patterson is able to influence you to keep your accounting needs and investment activities in house. If you accept his recommendation, this can lead to increased personal revenues. Therefore, before accepting recommendations to engage us for either professional service, you may want to consider other options to ensure that the service we are offering is comparable or equivalent to the service you might receive from another independent firm.

Insurance Company Activities & Affiliations

Christopher A. Patterson is licensed as a life and annuity insurance agent by the State of Florida and as a non-resident agent in other states. As an agent, Mr. Patterson is licensed to

sell insurance-related products and earn commissions from the sale of these products. A conflict of interest can potentially occur when Mr. Patterson, as a trusted advisor managing your portfolio for a fee, recommends you purchase an insurance product in which he will earn a commission. This can create a situation of divided loyalty and the objectivity of the advice we render could be subjective and create a disadvantage to you.

Therefore, keep in mind you are under no obligation to accept Mr. Patterson's recommendation to purchase insurance related products. **You are free to reject his recommendation** or, if you need the insurance, to choose the insurance agency, agent, and insurance company from whom to purchase the insurance. However, if you elect to purchase the insurance, regardless of where, and from whom you purchase it, such person will be entitled to earn a commission.

For further information on potential conflicts and economic benefits from Mr. Patterson's activity as an insurance agent, see "Financial Planning Compensation" below under Item 14, "Client Referrals & Other Compensation" of this Brochure.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING

ITEM 11

Code of Ethics

As a fiduciary, the Company has an affirmative duty to render continuous, unbiased investment advice, and at all times act in your best interest. To maintain this ethical responsibility, we have adopted a Code of Ethics that establishes the fundamental principles of conduct and professionalism expected by all personnel in discharging their duties. This Code is a value-laden guide committing such persons to uphold the highest ethical standards, rooted in the most elementary maxim. Our Code of Ethics is designed to deter inappropriate behavior and heighten awareness as to what is right, fair, just and good by promoting:

- ❖ Honest and ethical conduct.
- ❖ Full, fair and accurate disclosure.
- ❖ Compliance with applicable rules and regulations.
- ❖ Reporting of any violation of the Code.
- ❖ Accountability.

To help you understand our ethical culture and standards, how we control sensitive information and what steps have been taken to prevent personnel from abusing their inside position, a copy of our Code of Ethics is available for review upon request.

Client Transactions

We have a fiduciary duty to ensure that your welfare is not subordinated to any interests of ours or of our personnel. The following disclosures are internal guidelines we have adopted to assist us in protecting all of our clientele.

Participation or Interest

It is against our policies for any owners, officers, directors and employees to invest with you or with a group of clients, or to advise you or a group of clients to invest in a private business interest or other non-marketable investment unless prior approval has been granted by our Chief Compliance Officer, and such investment is not in violation of any SEC and/or State rules and regulations.

Insider Trading Policy

We comply with the Insider Trading and Securities Fraud Enforcement Act of 1988. We do not share any non-public information with anyone who does not need to know and have established internal controls to guard your personal information.

Class Action Policy

The Company **does not elect to participate** in class action lawsuits on your behalf. Such decisions shall remain with you or with an entity you designate. However, if you have specific questions you may contact us, and we will help explain the particulars. Keep in mind, any final determination of whether to participate, and the completion and tracking of any such related documentation, shall rest with you.

Personal Trading

Employees of ours are permitted to personally invest their own monies in securities, which may also be, from time to time, recommended to you. Sometimes, such investment purchases are independent of, and not connected in any way to, the investment decisions made on your behalf. However, there may be instances where investment purchases for you may also be made, at or about the same time, in an employee’s account. This practice can create a conflict of interest as our employees may benefit from the sale and purchase of those securities. In these situations, we have implemented the following guidelines in order to ensure our fiduciary integrity:

1. No employee acting as an Investment Advisor Representative (“IAR”), or who has discretion over your account, shall buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment, unless the information is also available to the investing public on reasonable inquiry. No employee of ours shall prefer his or her own interest to that of yours or any other advisory client.
2. Our Chief Compliance Officer reviews securities holdings for all our access employees on a regular basis.
3. We require that all employees act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
4. Bunched orders (See “Aggregating Trade Orders” below under Item 12, “**Brokerage Practices**”) may include employee accounts. In such cases, priority and advantage will be given to satisfy your order first regardless of the situation.
5. Any individual not in observance of the above may be subject to termination.

Personal trading activities are monitored by our Chief Compliance Officer to ensure that such activities do not impact your security or create conflicts of interest.

BROKERAGE PRACTICES

ITEM 12

Custodial Services

The Company maintains a custodial relationship with TD AMERITRADE, Inc., a licensed registered broker-dealer (member FINRA/SIPC), through their division TD AMERITRADE Institutional for investment advisors. TDA offers us services, which include custody of securities, trade execution, clearance and settlement of transactions.

Our recommendation for you to custody your assets with TDA has no direct correlation to the services we receive from TDA and the investment advice we offer you, although **we do receive**

economic benefits for which we do not have to pay through our relationship with TDA that are typically not available to TDA retail clients. This creates an incentive for us to recommend TDA based on the economic benefits we receive rather than on your interest in receiving most favorable execution. These economic benefits include the following products and services provided without cost or at a discount:

- ❖ Receipt of duplicate client statements and confirmations;
- ❖ Research related products and tools and consulting services;
- ❖ Access to a dedicated trading desk;
- ❖ Access to batch trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to accounts);
- ❖ The ability to have advisory fees deducted directly from accounts;
- ❖ Access to an electronic communications network for order entry and account information; and,
- ❖ Access to mutual funds and ETFs with no transaction fees and to certain institutional money managers.

We are not a subsidiary of, or an affiliated entity of, TDA. We have sole responsibility for investment advice rendered, and our advisory services are provided separately and independently from TDA.

Direction of Transactions and Commission Rates (Best Execution)

We have a fiduciary duty to put your interests before our own. The advisory support services we receive from TDA creates an economic benefit to us and a potential conflict of interest to you; in that, our recommendation to custody your account(s) with TDA may have been influenced by these arrangements/services. **This is not the case;** we have selected TDA as our custodian of choice based on:

1. Their competitive transaction charges, trading platform, and on-line services for account administration and operational support.
2. Their general reputation, trading capabilities, investment inventory, their financial strength, and our personal experience in working with TDA staff.

Since we do not recommend, suggest, or make available a selection of custodians other than TDA, **best execution may not always be achieved.** Therefore, **you do not have to accept our recommendation to use TDA as your custodian.** However, if you direct us to use another custodian, **we may not be able to provide you complete institutional services and such service may cost you more in transaction fees.**

Aggregating Trade Orders

Our objective in order execution is to act fairly, impartially, and to take all reasonable steps to obtain the best possible results (known as “best execution”) for our clients. Therefore, we typically bunch (aggregate) orders for a block trade when: (i) the bunching of orders is done for the purpose of achieving best execution; and, (ii) no client is systematically advantaged or disadvantaged by bunching the orders.

In consideration of these objectives, we will take into account the unique execution factors of the buy/sell order before bunching accounts for a block trade. A few of those factors are:

- ❖ **Security Trading Volume** - Bunching orders in a block trade can secure price parity and continuity for our clients during heavy trading activity.
- ❖ **Number of Clients** - The fewer the number of client accounts involved in the bunched order may not yield better pricing or order execution; it may be more advantageous to perform an individual market order for each client. In addition,

preparing individual market orders, for the small number accounts involved, may be quicker to complete than preparing a bunch order.

- ❖ **Financial Instruments** - The type of security involved as well as the complexity of order can affect our ability to achieve best execution.

REVIEW OF ACCOUNTS

ITEM 13

Portfolio Management Reviews

Your investment strategies and investments are monitored by Christopher A. Patterson and reviewed on an on-going basis. The general economy, market conditions, and/or changes in tax law can trigger more frequent reviews. Cash needs will be adjusted as necessary. Material changes in your personal/financial situation and/or investment objectives will require additional review and evaluation for us to properly advise you on revisions to previous recommendations and/or services. However, it is **your responsibility to communicate these changes** for us to make the appropriate corrections to your management account(s).

You will receive statements, at least quarterly, from TDA where your account(s) are held in custody that identifies your current investment holdings, the cost of each of those investments, and their current market values.

You are encouraged to review the trading activities disclosed on your account statements which summarizes your portfolio account value, current holdings, and all account transactions made during the quarter. **It is important for you to review these documents for accurate reporting and to determine whether we are meeting your investment expectations.**

Financial Planning Reviews

Mr. Patterson will work closely with you to be sure the action points identified in the financial plan have been or are being properly executed. Once the action points have been completed, the financial plan should be reviewed at least annually. Material changes in your lifestyle choices, personal circumstances, the general economy, or tax law changes can trigger more frequent reviews. However, **it is your responsibility to communicate these changes** to us so that the appropriate adjustments can be made.

CLIENT REFERRALS & OTHER COMPENSATION

ITEM 14

Referral Compensation

We do not receive any economic benefit from an independent party for managing your account(s). In addition, we do not compensate persons/firms for client referrals.

Other Compensation (Indirect Benefit)

The Company receives an indirect economic benefit from TDA (See “Custodial Services” above under Item 12, “**Brokerage Practices**” for more detailed information on what these services and products could be.)

Financial Planning Compensation

As previously mentioned, Christopher A> Patterson is a licensed insurance agent (See Item 10, “**Other Financial Industry Activities & Affiliations**” for more information.). This can create a

conflict of interest when recommending for a fee, through a financial plan, that you purchase an insurance product where he can also earn a commission.

There are also potential conflicts of interest when Mr. Brian K. Hershberger suggests the need for outside consultations and professional services (i.e., attorneys, brokers, accountants, etc.) to implement certain aspects of an estate or financial plan. Even though Mr. Patterson does not earn share in any fees earned by the outside professionals (accept in the case for accounting services) when implementing a financial plan, it does create an incentive on our part to refer your business to only those professionals that in turn refer potential clients to us (See “Accounting Activities & Affiliations” above under Item 10, “Other Financial Industry Activities & Affiliations” for other disclosures relating to affiliated services.). This can eliminate the possibility for you to be referred to someone who may provide equivalent professional services, and possibly at a lower cost.

In both cases, there is potential for divided loyalty and the objectivity of the advice we render could be subjective and create a disadvantage to you. Therefore, to ensure you understand the choices and risks you have in receiving financial planning along with all other investment recommendations, the following disclosures are provided to assist you with your decisions:

- ❖ Certain aspects of a financial plan require the assistance of a Registered Representative of a broker-dealer to execute the transaction. In this situation regardless of who performs the transaction(s), **such person will be entitled to earn a commission.**
- ❖ If requested by you to implement any insurance recommendations made in the financial plan, Mr. Patterson will execute such transactions through those insurance companies in which he is a licensed insurance agent. In such cases, **he will receive the normal commissions associated with such insurance transactions.**
- ❖ You are under no obligation to have any professional that we recommend prepare planning documents (i.e.; financial, estate, tax, etc...). **You are free to choose those outside professionals to implement the recommendations made in the financial plan.**
- ❖ You are under **no obligation to accept** Mr. Patterson’s advice and purchase the insurance products he recommends. **You are free to reject his recommendation and make your own choice.**

Notwithstanding such potential conflicts of interest, we strive to serve your best interest and ensure such disclosure is being properly made to you in compliance with the Investment Advisers Act of 1940, Rule 275.206.

CUSTODY

ITEM 15

Management Fee Deduction

We do not take possession of or maintain custody of your funds or securities but will simply monitor the holdings within your portfolio and trade your account based on your stated investment objectives and guidelines. Physical possession and custody of your funds and/or securities are maintained with TD AMERITRADE, Inc. as indicated above in Item 12, “Brokerage Practices.”

We are however defined as having custody since you have authorized us to deduct our advisory fees directly from your account. To protect you as well as to protect our advisory practice, we have implemented the following regulatory safeguards:

- ❖ We report to the regulatory authority (the Florida Office of Financial Regulation) having jurisdiction over our advisory practice that we have custody.
- ❖ Your funds and securities will be maintained with a qualified custodian (TDA) in a separate account in your name.
- ❖ Authorization to withdraw our management fees directly from your account will be approved by you prior to engaging in any portfolio management services.
- ❖ At the time we notify the qualified custodian to withdraw our quarterly fee from your account, we will send you a quarterly notice itemizing our fee. Itemization includes the formula used to calculate our fee, the amount of assets under management the fee is based on, and the time period covered by the fee.

TDA is required by law to send you, at least quarterly, statements summarizing the specific investments currently held in your account, the value of your portfolio, and account transactions. **You are encouraged to compare the financial data contained in our report and/or itemized fee notice with the financial information disclosed in your account statement from TDA to verify the accuracy and correctness of our reporting.**

INVESTMENT DISCRETION

ITEM 16

We have you complete our Investment Advisory Agreement, which sets forth our discretionary trading authority to buy and sell securities in whatever amounts are determined to be appropriate for your account and whether such transactions are with, or without, your prior approval.

You may, at any time, impose restrictions, **in writing**, on our discretionary authority (i.e., limit the types/amounts of particular securities purchased for your account, exclude the ability to purchase securities with an inverse relationship to the market, limit our use of leverage, etc.).

VOTING CLIENT SECURITIES

ITEM 17

We do not vote client proxies. You understand and agree that you retain the right to vote all proxies solicited for securities held in your managed accounts. TDA, the custodian of your managed accounts, will mail you all proxy solicitations. Any proxy solicitations inadvertently received by us will be immediately forwarded to you for your evaluation and decision.

If you have specific questions regarding an action being solicited by the proxy that you do not understand, or you want clarification, you may contact us, and we will explain the particulars. **Keep in mind we will not advise you in a direction to vote; the ultimate decision on how you vote is your responsibility and left to you to decide.**

FINANCIAL INFORMATION

ITEM 18

We are not required to include financial information in our Disclosure Brochure since we will not take physical custody of client funds or securities or bill client accounts six (6) months or more in advance for more than \$500.

We are not aware of any current financial conditions that are likely to impair our ability to meet our contractual commitments to you. In addition, the Company has not, nor have any of our officers and directors, been the subject of a bankruptcy petition at any time during the past ten years.



REQUIREMENTS FOR STATE-REGISTERED ADVISERS

ITEM 19

Information of each of our principal executive officers and supervised persons can be found in the attached Form ADV Part 2B: Brochure Supplements.

END OF DISCLOSURE BROCHURE

FORM ADV: PART 2B

BROCHURE SUPPLEMENT



Patterson Financial

CONTACT INFORMATION

100 Executive Way, Suite 218
Ponte Vedra Beach, FL 32082

Tel: 904.285.4489
Fax: 904.285.1805

www.PattersonCPAFirm.com

SUPERVISION

Christopher A. Patterson
Chief Compliance Officer

Phone:
904.285.4489
e-Mail:
cap@PattersonCPAFirm.com

Mr. Patterson is responsible for the regulatory oversight of our advisory practice - ensuring our business activities are compliant with all federal and state regulations and that we are operating in compliance with our written policies and procedures.

His other duties include, but are not limited to: supervising investment activities, preparing financial planning documents, and performing client reviews and meeting to discuss investment options.

BROCHURE SUPPLEMENT
DATED

1

**JANUARY
2020**

This Brochure Supplement provides information about Christopher A. Patterson that is an accompaniment to the Disclosure Brochure for our firm, Patterson Financial. You should have received both of these together as a complete disclosure packet. If you did not receive our Disclosure Brochure or if you should have questions about this Brochure Supplement for Mr. Patterson, you are welcome to contact us - our contact information is listed to the left.

Additional information about Patterson Financial and Christopher A. Patterson are also available on the SEC's website at www.adviserinfo.sec.gov.

Christopher A. Patterson, CPA

CRD#: 4039371

Year of Birth: 1975

EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

Education

1997 - University of North Florida: Bachelor of Science in Business Management and Accounting

Licenses

FINRA Exams: Series 6 - Investment Company Products/Variable Contracts Rep. Exam (Inactive)
Series 63 - Uniform Securities Agent State Law Examination (Inactive)
Series 65 - Uniform Investment Adviser Law Examination (Active)

Insurance: 2-15 License - Florida Life, Health & Annuity Insurance

Designations: **Certified Public Accountant (CPA)** - Licensed in Florida. CPAs are licensed and regulated by their state boards of accountancy. State laws and regulations vary, but generally, licensure as a CPA include at minimum: a college education with degree in accounting, minimum experience levels (at least one year of experience in accounting), and successful passage of the Uniform CPA Examination. Additionally, CPAs are generally required to complete 40 hours of continuing education administered by the American Institute of Certified Public Accountants (AICPA) and are required to follow a rigorous Code of Professional Conduct.

Business Background

08/2011 - Present The Patterson CPA Group, Inc. d/b/a Patterson Financial
Position: President & Chief Compliance Officer & CPA

01/2008 - 08/2011..... The Patterson CPA Group, Inc.
Position: President & Certified Public Accountant

05/2010 - 05/2011..... Holland Advisory Services, Inc.
Position: Investment Advisor Representative

06/2009 - 04/2010..... HD Vest Investment Services
Position: Registered Representative

07/2002 - 01/2008..... Patterson & Associates
Position: Owner & Certified Public Accountant

DISCIPLINARY INFORMATION

Mr. Patterson is required to disclose any administrative proceedings that may be material for you to evaluate his advisory practice; therefore, pursuant to Item 3B of the Form ADV Part 2B: Brochure Supplement we are disclosing the following event.

Through the course of conducting a routine on-site examination, the Florida Office of Financial Regulation ("OFR"), determined The Patterson CPA Group, Inc. and Christopher A. Patterson violated Florida rules and regulations by: (i) not maintaining an accurate Form ADV; (ii) not maintaining an accurate U-4 for Mr. Patterson; (iii) not filing financial statements in a timely fashion with OFR for the 2012, 2013, and 2014 fiscal years; and (iv) not maintain the required books and records in an easily accessible place in our principal office.

So as to not incur any further legal costs defending the Company and himself against the allegations made by OFR in their Administrative Complaint, Mr. Patterson consented to the findings by OFR, without admitting or denying the allegations, and settled with an administrative fine of \$4,000. The fine has been paid pursuant to the terms of the Stipulation and Consent Agreement finalized on August 29, 2016. No further action has been taken by OFR and the Company is operating in good standing.

OTHER BUSINESS ACTIVITIES

Licensed Insurance Agent Activities

Mr. Patterson is a commissioned insurance agent to sell insurance products. This can create a conflict of interest when recommending for a fee, through a financial plan, that you purchase insurance that he can also earn a commission. In addition, there are also potential conflicts of interest when Mr. Patterson suggests the need for outside consultations and professional services (i.e., attorneys or accountants, brokers, etc.) to implement certain aspects of an estate or financial plan. Even though he does not share in any fees earned by the outside professionals (accept in the case for accounting services), it does create an incentive on our part to refer your business to only those professionals that in turn refer potential clients to us.





Patterson Financial

CONTACT INFORMATION

100 Executive Way, Suite 218
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www.PattersonCPAFirm.com

Continuation of Information for:

Christopher A. Patterson, CPA

CRD#: 4039371

Year of Birth: 1975

Continuation of Licensed Insurance Agent Activities

In both cases, there is potential for divided loyalty and the objectivity of the advice rendered could be subjective and create a disadvantage to you. Therefore, to ensure you understand the choices and risks you have in receiving financial planning along with all other investment recommendations, the following disclosures are provided to assist you with your decisions:

- You are under no obligation to have any investment professional Mr. Patterson recommends prepare planning documents (*i.e.*, estate, tax, etc...). You are free to choose those outside professionals to implement the recommendations made in the financial or estate plan.
- You are under no obligation to accept Mr. Patterson's advice and purchase insurance products he recommends. You are free to choose any independent insurance agent and insurance company to purchase your insurance. Regardless of the insurance agent from whom you select to purchase your insurance, he/she will earn the normal commission from the sale.
- Since Mr. Patterson only offers financial products from those insurance companies in which he is appointed, such recommendations are limited to that pool of product. Therefore, it is possible that you might be able to independently get a quote from another insurance carrier for a similar insurance product that offers equivalent or better insurance coverage with a lower deductible.

For more information about other potential conflicts of interest and affiliated services, see our Disclosure Brochure, Item 10, "Other Financial Industry Activities & Affiliations" and Item 14, "Client Referrals & Other Compensation" under and "Financial Planning Compensation". Notwithstanding such potential conflicts of interest, we strive to act in your best interest and ensure disclosure is properly made to you in compliance with the Investment Advisor Act of 1940, Rule 275.206.

Accounting Activities & Affiliations

As indicated in our firm Disclosure Brochure (See Item 10, "Other Financial Industry Activities & Affiliations" for more details), Patterson Financial also owns an H&R Block franchise to provide tax and accounting services to individuals and businesses through Christopher A. Patterson. Referrals to, from, and between the investment services and accounting practices of our firm can create a potential conflict of interest to our fiduciary duty to be impartial with our advice and to keep your interests ahead of our own. In being able to recommend both services, Mr. Patterson is able to influence you to keep your accounting needs and investment activities in house.

Before accepting recommendations to engage us for either professional service, you may want to consider other options to ensure that the service we are offering is comparable or equivalent to the service you might receive from another independent firm.

ADDITIONAL COMPENSATION

Mr. Patterson does not receive any economic benefit, sales awards, prizes or bonuses that are based on the number or amount of sales, client referrals, or from opening new accounts.

REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Mr. Patterson has not been found liable in an arbitration claim, civil litigation, self-regulatory organization/administrative proceeding, or been the subject of a bankruptcy petition at any time during the past ten years.