

**CITY OF ROUND ROCK AGREEMENT  
FOR PROFESSIONAL CONSULTING SERVICES WITH  
PATTERSON CAPITAL MANAGEMENT dba PATTERSON & ASSOCIATES**

This Agreement shall recite the contractual terms whereby the City of Round Rock, Texas (hereinafter referred to as the "City") engages Patterson Capital Management dba Patterson & Associates (hereinafter referred to as "Patterson" or the "Consultant") to perform, by way of illustration and not limitation, the following services:

Provision of non-discretionary investment advisory services for the City's investment portfolio including, but not limited to, strategic portfolio advice, investment policy and bond covenant review, cash flow model development for all non-bond funds, bond proceeds cash flow model assistance, complete analysis of eligible investment options, thorough deposit and transaction documentation, effective investment provider management, integrated bond proceeds investment, and customized communication, reporting, and training.

This Agreement (hereinafter referred to as the "Agreement") is made by and between the City of Round Rock, a Texas local government corporation, 221 East Main Street, Round Rock, Texas 78664-5299, and Patterson Capital Management dba Patterson & Associates, 301 Congress Avenue, Suite 570, Austin, Texas 78701.

**RECITALS:**

WHEREAS, the City has determined there is a need for the delineated services; and

WHEREAS, the City desires to contract for such professional services; and

WHEREAS, the parties desire to enter into this Agreement to set forth in writing their respective rights, duties and obligations hereunder;

NOW, THEREFORE, WITNESSETH:

That for and in consideration of the mutual promises contained herein and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, it is mutually agreed between the parties as follows:

**1.01 EFFECTIVE DATE, DURATION, AND TERM**

This Agreement shall be effective on the date this Agreement has been signed by each party hereto, and shall remain in full force and effect unless and until it expires by operation of the term indicated herein, or is terminated or extended as provided herein.

The initial term of this Agreement shall be until full and satisfactory completion of the work specified herein is achieved, but not later than twelve (12) months from the effective date of this Agreement. This Agreement contains no prohibition against renewals or extensions, at City's sole option.

The City reserves the right to review the Agreement and contractual relationship at any time, and may elect to terminate same with or without cause or may elect to continue.

## **1.02 CONTRACT AMOUNT; AND SCOPE OF WORK DELINEATION**

In consideration for the professional services to be performed by Consultant, the City agrees to pay Consultant in with Section 1.03 herein and in accordance with "Agreement By and Between City of Round Rock and Patterson Capital Management dba Patterson & Associates" delineated in Exhibit "A" attached hereto and incorporated herein by reference for all purposes.

For purposes of this Agreement Consultant has issued its Statement of Work. Such Statement of Work is Consultant's Response to City's RFQ, said Response being dated February 12, 2013, and same is attached as a separate binder titled Exhibit "B" and is attached hereto and incorporated herein by reference for all purposes. Consultant's services shall be performed in accordance with the "City of Round Rock, Texas Investment Policy & Strategy" document dated October 25, 2012 (including future versions), and same is titled Exhibit "C" and is attached hereto and incorporated herein by reference for all purposes. This Agreement, including all exhibits, shall evidence the entire understanding and agreement between the parties and shall supersede any prior proposals, correspondence or discussions.

Consultant shall satisfactorily provide all services described under the attached Statement of Work within the contract term specified in Section 1.01. Consultant's undertakings shall be limited to performing services for the City and/or advising the City concerning those matters on which Consultant has been specifically engaged. Consultant shall perform its services in accordance with this Agreement, in accordance with any appended exhibits, in accordance with due care, and in accordance with prevailing consulting industry standards for comparable services.

## **1.03 PAYMENT FOR SERVICES; PAYMENT FOR REIMBURSABLE EXPENSES; SUPPLEMENTAL AGREEMENTS**

Not-to-Exceed Total for Payment for Services: Unless subsequently changed by additional Supplemental Agreement to this Agreement, duly authorized by action of the City, Consultant's total compensation hereunder shall not exceed Twenty-seven Thousand and No/100 Dollars (\$27,000.00). This amount represents the absolute limit of the City's liability to Consultant hereunder unless same shall be changed by additional Supplemental Agreement, and the City shall pay, strictly within the confines of the not-to-exceed sum recited herein, Consultant's professional fees for work done on behalf of the City.

Reimbursable Expenses: Reimbursable expenses are not authorized under this Agreement.

Deductions: No deductions shall be made for Consultant's compensation on account of penalty, liquidated damages or other sums withheld from payments to Consultant.

Additions: No additions shall be made to Consultant's compensation based upon claims associated with this Agreement, whether paid by the City or denied.

Supplemental Agreements: The terms of this Agreement may be modified by written Supplemental Agreement hereto, duly authorized by the City, if the City determines that there has

been a significant change in (1) the scope, complexity, or character of the services to be performed; or (2) the duration of the work. Any such Supplemental Agreement must be executed by both parties within the period specified as the term of this Agreement. Consultant shall not perform any work or incur any additional costs prior to the execution, by both parties, of such Supplemental Agreement. Consultant shall make no claim for extra work done or materials furnished unless and until there is full execution of any Supplemental Agreement, and the City shall not be responsible for actions by Consultant nor for any costs incurred by Consultant relating to additional work not directly authorized by Supplemental Agreement.

#### **1.04 TERMS OF PAYMENT**

Invoices: To receive payment, Consultant shall prepare and submit a series of monthly detailed invoices to the City for services rendered. Each invoice for professional services shall detail the services performed, along with documentation. All payments to Consultant shall be made on the basis of the invoices submitted by Consultant and approved by the City.

Should additional backup material be requested by the City, Consultant shall comply promptly. In this regard, should the City determine it necessary, Consultant shall make all records and books relating to this Agreement available to the City for inspection and auditing.

If the City has any dispute with work performed, then the City shall notify Consultant within thirty (30) days after receipt of invoice. In the event of any dispute regarding the work performed, then and in that event Consultant shall either (a) satisfactorily re-perform the disputed services or (b) provide the City with an appropriate credit.

Payment of Invoices: The City reserves the right to correct any error that may be discovered in any invoice that may have been paid to Consultant and to adjust same to meet the requirements of this Agreement. Following approval of invoices, the City shall endeavor to pay Consultant promptly, but no later than the time period required under the Texas Prompt Payment Act described in Section 1.08 herein. Under no circumstances shall Consultant be entitled to receive interest on payments which are late because of a good faith dispute between Consultant and the City or because of amounts which the City has a right to withhold under this Agreement or state law. The City shall be responsible for any sales, gross receipts or similar taxes applicable to the services, but not for taxes based upon Consultant's net income.

Offsets: The City may, at its option, offset any amounts due and payable hereunder against any debt (including taxes) lawfully due to the City from Consultant, regardless of whether the amount due arises pursuant to the terms of this Agreement or otherwise and regardless of whether or not the debt due to the City has been reduced to judgment by a court.

#### **1.05 REQUIRED REPORTS**

Consultant agrees to provide the City with any necessary detailed interim and final written reports, together with all information gathered and materials developed during the course of the project. Additionally, Consultant agrees to provide the City with any necessary oral presentations of such detailed interim and final written reports, at the City's designation and at no additional cost to the City.

## **1.06 LIMITATION TO SCOPE OF WORK**

Consultant and the City agree that the scope of services to be performed is generally enumerated in Exhibit "B." Notwithstanding anything herein to the contrary, the parties agree that the City retains absolute discretion and authority for all funding decisions, such decisions to be based solely on criteria accepted by the City which may be influenced by but not be dependent on Consultant's work.

## **1.07 NON-APPROPRIATION AND FISCAL FUNDING**

This Agreement is a commitment of the City's current revenues only. It is understood and agreed that the City shall have the right to terminate this Agreement at the end of any of the City's fiscal years if the City does not appropriate funds sufficient to purchase the services as determined by the City's budget for the fiscal year in question. The City may effect such termination by giving Consultant a written notice of termination at the end of its then-current fiscal year.

## **1.08 PROMPT PAYMENT POLICY**

In accordance with Chapter 2251, V.T.C.A., Texas Government Code, payment to be made by the City to Consultant will be made within thirty (30) days of the date the City receives goods under this Agreement, the date the performance of the services under this Agreement are completed or the date the City receives a correct invoice for the goods or services, whichever is later. Consultant may charge interest on an overdue payment at the "rate in effect" on September 1 of the fiscal year in which the payment becomes overdue, in accordance with V.T.C.A., Texas Government Code, Section 2251.025(b). This Prompt Payment Policy does not apply to payments made by the City in the event:

- (1) There is a bona fide dispute between the City and Consultant, a contractor, subcontractor, or supplier about the goods delivered or the service performed that causes the payment to be late; or
- (2) There is a bona fide dispute between Consultant and a subcontractor or between a subcontractor and its supplier about the goods delivered or the service performed that causes the payment to be late;
- (3) The terms of a federal contract, grant, regulation, or statute prevent the City from making a timely payment with federal funds; or
- (4) The invoice is not mailed to the City in strict accordance with any instruction on the purchase order relating to the payment.

## **1.09 TERMINATION**

This Agreement may be terminated for any of the following conditions:

- (1) By the City for reasons of its own, with or without cause, and not subject to the mutual consent of any other party, such written termination notice to be given to the other party not less than thirty (30) days prior to termination.

- (2) By mutual agreement and consent of the parties, such agreement to be in writing.
- (3) By either party for failure by the other to perform the services set forth herein in a satisfactory manner, such notice to be given in writing to the other party.
- (4) By either party for failure by the other party to fulfill its obligations herein.
- (5) By satisfactory completion of all services and obligations described herein.

Should the City terminate this Agreement as herein provided, no fees other than fees due and payable at the time of termination shall thereafter be paid to Consultant. The City shall pay Consultant for all uncontested services performed to date of notice of termination.

If either party defaults in performance of this Agreement or if the City terminates this Agreement for default on the part of the other party, then the City shall give consideration to the actual costs incurred by Consultant in performing the work to the date of default. The cost of the work that is useable to the City, the cost to the City of employing another firm to complete the useable work, and other factors will affect the value to the City of the work performed at the time of default.

The termination of this Agreement and payment of an amount in settlement as set forth above shall extinguish all rights, duties, and obligations of the City and the terminated party to fulfill contractual obligations. Termination under this section shall not relieve the terminated party of any obligations or liabilities which occurred prior to cancellation.

#### **1.10 INDEPENDENT CONTRACTOR STATUS**

Consultant is an independent contractor, and is not the City's employee. Consultant's employees or subcontractors are not the City's employees. This Agreement does not create a partnership, employer-employee, or joint venture relationship. No party has authority to enter into contracts as agent for the other party. Consultant and the City agree to the following rights consistent with an independent contractor relationship:

- (1) Consultant has the right to perform services for others during the term hereof.
- (2) Consultant has the sole right to control and direct the means, manner and method by which services required by this Agreement will be performed.
- (3) Consultant has the right to hire assistants as subcontractors, or to use employees to provide the services required by this Agreement.
- (4) Consultant or its employees or subcontractors shall perform services required hereunder, and the City shall not hire, supervise, or pay assistants to help Consultant.
- (5) Neither Consultant nor its employees or subcontractors shall receive training from the City in skills necessary to perform services required by this Agreement.

- (6) The City shall not require Consultant or its employees or subcontractors to devote full time to performing the services required by this Agreement.
- (7) Neither Consultant nor its employees or subcontractors are eligible to participate in any employee pension, health, vacation pay, sick pay, or other fringe benefit plan of the City.

**1.11 NON-SOLICITATION**

All parties hereto agree that they shall not directly or indirectly solicit for employment, employ, or otherwise retain staff of the other during the term of this Agreement.

**1.12 CONFIDENTIALITY; AND MATERIALS OWNERSHIP**

Any and all programs, data, or other materials furnished by the City for use by Consultant in connection with services to be performed under this Agreement, and any and all data and information gathered by Consultant, shall be held in confidence by Consultant as set forth hereunder. All parties agree to hold all confidential information in the strictest confidence and not make any use thereof other than for the performance of this Agreement. Notwithstanding the foregoing, the parties recognize and understand that the City is subject to the Texas Public Information Act and its duties run in accordance therewith.

Any and all materials created and developed by Consultant in connection with services performed under this Agreement, including all trademark and copyright rights, shall be the sole property of the City at the expiration of this Agreement.

**1.13 WARRANTIES**

Consultant warrants that all services performed shall be performed consistent with generally prevailing professional or industry standards, and be performed in a professional and workmanlike manner. Consultant shall re-perform any work not in compliance with this warranty.

**1.14 INDEMNIFICATION**

Consultant agrees to hold harmless, exempt, and indemnify the City, its officers, agents, directors, servants, representatives and employees, from and against any and all suits, actions, legal proceedings, demands, costs, expenses, losses, damages, fines, penalties, liabilities and claims of any character or description, including but not limited to any expenses of litigation, court costs, attorneys fees and all other costs and fees incident to any work done as a result hereof.

To the extent allowable by law, the City agrees to hold harmless, exempt, and indemnify Consultant, its officers, agents, directors, servants, representatives and employees, from and against any and all suits, actions, legal proceedings, demands, costs, expenses, losses, damages, fines, penalties, liabilities and claims of any character, type, or description, including but not limited to any and all expenses of litigation, court costs, attorneys fees and all other costs and fees incident to any work done as a result hereof.

In no event shall either party be liable to the other for special or consequential damages, statutory or otherwise.

### **1.15 ASSIGNMENT AND DELEGATION**

The parties each hereby bind themselves, their successors, assigns and legal representatives to each other with respect to the terms of this Agreement. Neither party may assign any rights or delegate any duties hereunder without the other's prior written approval.

### **1.16 LOCAL, STATE AND FEDERAL TAXES**

Consultant shall pay all income taxes, and FICA (Social Security and Medicare taxes) incurred while performing services hereunder. The City will not do the following:

- (1) Withhold FICA from Consultant's payments or make FICA payments on its behalf;
- (2) Make state and/or federal unemployment compensation contributions on Consultant's behalf; or
- (3) Withhold state or federal income tax from any of Consultant's payments.

If requested, the City shall provide Consultant with a certificate from the Texas State Comptroller indicating that the City is a non-profit corporation and not subject to State of Texas Sales and Use Tax.

### **1.17 COMPLIANCE WITH LAWS, CHARTER AND ORDINANCES**

Consultant, its consultants, agents, employees and subcontractors shall comply with all applicable federal and state laws, the Charter and Ordinances of the member cities, as amended, and all applicable rules and regulations promulgated by local, state and national boards, bureaus and agencies. Consultant shall further obtain all permits, licenses, trademarks, copyrights, and the like required in the performance of the services contracted for herein, and same shall belong solely to the CITY at the expiration of the term of this Agreement.

### **1.18 FINANCIAL INTEREST PROHIBITED**

Consultant covenants and represents that Consultant, its officers, employees, agents, consultants and subcontractors will have no financial interest, direct or indirect, in the purchase or sale of any product, materials or equipment that will be recommended or required hereunder.

### **1.19 DESIGNATION OF THE CITY REPRESENTATIVE**

The City hereby designates the following representative authorized to act in its behalf:

Cheryl Delaney, Finance Director  
City of Round Rock  
221 East Main Street  
Round Rock, Texas 78664

## 1.20 NOTICES

All notices and other communications in connection with this Agreement shall be in writing and shall be considered given as follows:

- (1) When delivered personally to recipient's address as stated herein; or
- (2) Three (3) days after being deposited in the United States mail, with postage prepaid to the recipient's address as stated in this Agreement.

### Notice to Consultant:

Linda T. Patterson, President  
Patterson & Associates  
301 Congress Avenue, Suite 570  
Austin, TX 78701

### Notice to the City:

City Manager  
City of Round Rock  
221 East Main Street  
Round Rock, TX 78664

AND TO:

Stephan L. Sheets  
Attorney at Law  
309 East Main Street  
Round Rock, TX 78664

Nothing contained in this section shall be construed to restrict the transmission of routine communications between representatives of the City and Consultant.

## 1.21 APPLICABLE LAW; ENFORCEMENT AND VENUE

This Agreement shall be enforceable in Round Rock, Texas, and if legal action is necessary by either party with respect to the enforcement of any or all of the terms or conditions herein, exclusive venue for same shall lie in Williamson County, Texas. This Agreement shall be governed by and construed in accordance with the laws and court decisions of Texas.

## 1.22 EXCLUSIVE AGREEMENT

The terms and conditions of this Agreement, including any appended exhibits, constitute the entire agreement between the parties and supersede all previous communications, representations, and agreements, either written or oral, with respect to the subject matter hereof. No modifications of this Agreement will be binding on any of the parties unless acknowledged in writing by the duly authorized governing body or representative for each party.

## 1.23 DISPUTE RESOLUTION

The City and Consultant hereby expressly agree that no claims or disputes between the parties arising out of or relating to this Agreement or a breach thereof shall be decided by any arbitration proceeding, including without limitation, any proceeding under the Federal Arbitration Act (9 USC Section 1-14) or any applicable state arbitration statute.

## **1.24 ATTORNEY FEES**

In the event that any lawsuit is brought by one party against any of the other parties in connection with this Agreement, the prevailing party shall be entitled to seek to recover its reasonable costs and reasonable attorney fees.

## **1.25 FORCE MAJEURE**

Notwithstanding any other provisions of this Agreement to the contrary, no failure, delay or default in performance of any obligation hereunder shall constitute an event of default or a breach of this Agreement, only to the extent that such failure to perform, delay or default arises out of causes beyond control and without the fault or negligence of the party otherwise chargeable with failure, delay or default; including but not limited to acts of God, acts of public enemy, civil war, insurrection, riots, fires, floods, explosion, theft, earthquakes, natural disasters or other casualties, strikes or other labor troubles, which in any way restrict the performance under this Agreement by the parties. Consultant shall not be deemed to be in default of its obligations to the City if its failure to perform or its substantial delay in performance is due to the City's failure to timely provide requested information, data, documentation, or other material necessary for Consultant to perform its obligations hereunder.

## **1.26 SEVERABILITY**

The invalidity, illegality, or unenforceability of any provision of this Agreement or the occurrence of any event rendering any portion of provision of this Agreement void shall in no way affect the validity or enforceability of any other portion or provision of this Agreement. Any void provision shall be deemed severed from this Agreement, and the balance of this Agreement shall be construed and enforced as if this Agreement did not contain the particular portion of provision held to be void. The parties further agree to amend this Agreement to replace any stricken provision with a valid provision that comes as close as possible to the intent of the stricken provision. The provisions of this Article shall not prevent this entire Agreement from being void should a provision which is of the essence of this Agreement be determined void.

## **1.27 STANDARD OF CARE**

Consultant represents that it is specially trained, experienced and competent to perform all of the services, responsibilities and duties specified herein and that such services, responsibilities and duties shall be performed, whether by Consultant or designated subconsultants, in a manner according to generally accepted business practices.

## **1.28 GENERAL AND MISCELLANEOUS**

The section numbers and headings contained herein are provided for convenience only and shall have no substantive effect on construction of this Agreement.

The failure of a party to exercise any right hereunder shall not operate as a waiver of said party's right to exercise such right or any other right in the future.

Time is of the essence to this Agreement. Consultant understands and agrees that any failure of Consultant to complete the services due under this Agreement within the agreed term as delineated in Section 1.01 herein will constitute a material breach of this Agreement.

The City agrees to provide Consultant with one (1) fully executed original of this Agreement document.

This Agreement may be executed in multiple counterparts, which taken together shall be considered as one original.

IN WITNESS WHEREOF, the parties have executed this Agreement on the dates hereafter indicated.

**CITY OF ROUND ROCK, TEXAS**

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date Signed: \_\_\_\_\_

FOR CITY, ATTEST:

By: \_\_\_\_\_  
Sara L. White, City Clerk

FOR CITY, APPROVED AS TO FORM:

By: \_\_\_\_\_  
Stephan L. Sheets, Attorney



**PATTERSON CAPITAL MANAGEMENT  
dba PATTERSON & ASSOCIATES**

By: Linda Patterson  
Printed Name: LINDA PATTERSON  
Title: PRESIDENT  
Date Signed: 4-2-2013

**AGREEMENT BY AND BETWEEN CITY OF ROUND ROCK  
AND PATTERSON CAPITAL MANAGEMENT dba PATTERSON & ASSOCIATES**

It is understood and agreed that the City of Round Rock (the *Investor*) will have from time to time money available for investment (*Investable Funds*) and Patterson Capital Management dba Patterson & Associates (*Advisor*) has been requested to provide professional services to the Investor with respect to the Investable Funds. This agreement (the *Agreement*) constitutes the understanding of the parties with regard to the subject matter hereof.

1. This Agreement shall apply to any and all Investable Funds of the Investor from time to time during the period in which this Agreement shall be effective.

2. The Advisor agrees to provide its professional services to direct and coordinate all programs of investing as may be considered and authorized by the Investor.

3. The Advisor agrees to perform the following duties:

- a. Assist the Investor in developing cash flow projections,
- b. Suggest appropriate investment strategies to achieve the Investor's objectives,
- c. Advise the Investor on market conditions, general information and economic data,
- d. Analyze risk/return relationships between various investment alternatives,
- e. Attend occasional meetings as requested by the Investor,
- f. Assist in the selection, purchase, and sale of investments. The Advisor shall not have discretionary investment authority over the Investable Funds and the Investor shall make all decisions regarding purchase and sale of investments. All funds shall be invested consistent with the Texas Public Funds Investment Act, Chapter 2256, Government Code and the Investor's Investment Policy. The eligible investments are listed in the Investor's Investment Policy,
- g. Advise on the investment of funds, such advice to be based on the Investor's adopted Investment Policy & Strategy (including future versions),
- h. Assist the Investor in creating investment reports in compliance with State legislation and the Investor's Investment Policy,
- i. Assist the Investor in creating monthly portfolio accounting reports, and
- j. Assist the Investor in selecting a primary depository services financial institution.

4. The Investor agrees to:
  - a. Compensate the Advisor in accordance with the overarching “City of Round Rock Agreement for Professional Consulting Services with Patterson Capital Management dba Patterson & Associates,”
  - b. Provide the Advisor with the schedule of estimated cash flow requirements related to the Investable Funds, and promptly notify the Advisor as to any changes in such estimated cash flow projections,
  - c. Allow the Advisor to rely upon all information regarding schedules, investment policies and strategies, restrictions, or other information regarding the Investable Funds as provided to it by the Investor and that the Advisor shall have no responsibility to verify, through audit or investigation, the accuracy or completeness of such information,
  - d. Recognize that there is no assurance that recommended investments will be available or that such will be able to be purchased or sold at the price recommended by the Advisor, and
  - e. Not require the Advisor to place any order on behalf of the Investor that is inconsistent with the policies and regulations pertaining to the Investor.

5. In providing the investment services hereunder, it is agreed that the Advisor shall have no liability or responsibility for any loss or penalty resulting from any investment made or not made in accordance with the provisions of the overarching “City of Round Rock Agreement for Professional Consulting Services with Patterson Capital Management dba Patterson & Associates,” except that the Advisor shall be liable for its own gross negligence or willful misconduct; nor shall the Advisor be responsible for any loss incurred by reason of any act or omission of any broker, selected with reasonable care by the Advisor and approved by the Investor, or of the Investor’s custodian. Furthermore, the Advisor shall not be liable for any investment made which causes the interest on the Investor’s obligations to become included in the gross income of the owners thereof.

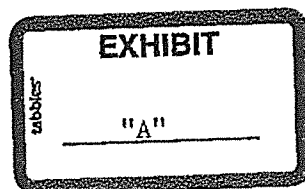
6. In the event the overarching “City of Round Rock Agreement for Professional Consulting Services with Patterson Capital Management dba Patterson & Associates” is terminated in accordance with the terms therein, then and in that event all investments and/or funds held by the Advisor shall be returned to the Investor as soon as possible. In addition, the parties agree that if said Agreement is terminated then the Advisor shall have no continuing obligation to the Investor regarding the investment of funds.

7. The Investor acknowledges that it was provided a written copy of Form ADV Part 2 not less than 48 hours prior to entering into this written contract.

**AGREEMENT BY AND BETWEEN CITY OF ROUND ROCK  
AND PATTERSON CAPITAL MANAGEMENT dba PATTERSON & ASSOCIATES**

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1. This Agreement shall apply to any and all Investable Funds of the Investor from time to time during the period in which this Agreement shall be effective.
2. The Advisor agrees to provide its professional services to direct and coordinate all programs of investing as may be considered and authorized by the Investor.
3. The Advisor agrees to perform the following duties:
  - a. Assist the Investor in developing cash flow projections,
  - b. Suggest appropriate investment strategies to achieve the Investor's objectives,
  - c. Advise the Investor on market conditions, general information and economic data,
  - d. Analyze risk/return relationships between various investment alternatives,
  - e. Attend occasional meetings as requested by the Investor,
  - f. Assist in the selection, purchase, and sale of investments. The Advisor shall not have discretionary investment authority over the Investable Funds and the Investor shall make all decisions regarding purchase and sale of investments. All funds shall be invested consistent with the Texas Public Funds Investment Act, Chapter 2256, Government Code and the Investor's Investment Policy. The eligible investments are listed in the Investor's Investment Policy,
  - g. Advise on the investment of bond funds as to provide the best possible the of return to the Investor in a manner which is consistent with the proceedings of the Investor authorizing the investment of the bond funds or applicable federal rules and regulations,
  - h. Assist the Investor in creating investment reports in compliance with State legislation and the Investor's Investment Policy,
  - i. Assist the Investor in creating monthly portfolio accounting reports, and
  - j. Assist the Investor in selecting a primary depository services financial institution.



4. The Investor agrees to:

- a. Compensate the Advisor in accordance with the overarching "City of Round Rock Agreement for Professional Consulting Services with Patterson Capital Management dba Patterson & Associates,"
- b. Provide the Advisor with the schedule of estimated cash flow requirements related to the Investable Funds, and promptly notify the Advisor as to any changes in such estimated cash flow projections,
- c. Allow the Advisor to rely upon all information regarding schedules, investment policies and strategies, restrictions, or other information regarding the Investable Funds as provided to it by the Investor and that the Advisor shall have no responsibility to verify, through audit or investigation, the accuracy or completeness of such information,
- d. Recognize that there is no assurance that recommended investments will be available or that such will be able to be purchased or sold at the price recommended by the Advisor, and
- e. Not require the Advisor to place any order on behalf of the Investor that is inconsistent with the policies and regulations pertaining to the Investor.

5. In providing the investment services hereunder, it is agreed that the Advisor shall have no liability or responsibility for any loss or penalty resulting from any investment made or not made in accordance with the provisions of the overarching "City of Round Rock Agreement for Professional Consulting Services with Patterson Capital Management dba Patterson & Associates," except that the Advisor shall be liable for its own gross negligence or willful misconduct; nor shall the Advisor be responsible for any loss incurred by reason of any act or omission of any broker, selected with reasonable care by the Advisor and approved by the Investor, or of the Investor's custodian. Furthermore, the Advisor shall not be liable for any investment made which causes the interest on the Investor's obligations to become included in the gross income of the owners thereof.

6. In the event the overarching "City of Round Rock Agreement for Professional Consulting Services with Patterson Capital Management dba Patterson & Associates" is terminated in accordance with the terms therein, then and in that event all investments and/or funds held by the Advisor shall be returned to the Investor as soon as possible. In addition, the parties agree that if said Agreement is terminated then the Advisor shall have no continuing obligation to the Investor regarding the investment of funds.

7. The Investor acknowledges that it was provided a written copy of Form ADV Part 2 not less than 48 hours prior to entering into this written contract.

**CITY OF ROUND ROCK  
REQUEST FOR QUOTE  
INVESTMENT ADVISORY SERVICES**

**PART I**

**GENERAL**

1. **PURPOSE:** The City of Round Rock, hereinafter "City", seeks to enter into an Agreement ("Agreement") with a qualified Individual, ("Respondent"), to provide investment advisory services for the City's investment portfolio.
2. **DEFINITIONS, TERMS AND CONDITIONS:** By submitting a response to this solicitation, the Respondent agrees that the City's standard Definitions, Terms and Conditions shall govern unless specifically provided otherwise in a separate agreement or on the face of a purchase order. Said Definitions, Terms and Conditions are subject to change without notice. It is the sole responsibility of respondents to stay apprised of changes. A current draft of the City's Definitions, Terms and Conditions can be obtained from the City's website at:  
<http://www.roundrocktexas.gov/home/index.asp?page=463>.
3. **INSURANCE:** The Vendor shall meet or exceed ALL insurance requirements set forth by the current draft of Insurance Requirements as identified on the City's website at:  
<http://www.roundrocktexas.gov/home/index.asp?page=463>.
4. **ATTACHMENTS:** Attachment A is herein made a part of this quote:  
Attachment A: Investment Policy
5. **CLARIFICATION:** For questions or clarification of specifications, you may contact:

Barry Becker  
Telephone: 512-218-5457  
bbecker@roundrocktexas.gov

The individual listed above may be contacted by telephone or visited for clarification of the specifications only.

6. **AGREEMENT TERM:**
  - 6.1 The initial term of the resulting agreement shall be two (2) consecutive twelve (12) month periods from the effective date. The agreement may be renewed for two (2) additional periods of time, not to exceed twelve (12) months each, provided both parties agree in writing.
  - 6.2 The City reserves the right to review the respondents' performance at the end of each twelve (12) month period and cancel all or part of the agreement or continue the agreement through the next period.
  - 6.3 If the agreement is terminated, for any reason, the respondent shall turn over all records, to include but not limited to the following: records of services, history of transactions, to the City within fifteen (15) working days after the completion of duties contained in the agreement.
7. **NON-APPROPRIATION:** The resulting Agreement is a commitment of the City's current revenues only. It is understood and agreed the City shall have the right to terminate the Agreement at the end of any City fiscal year if the governing body of the City does not appropriate funds sufficient to purchase the estimated yearly fees, as determined by the City's budget for the fiscal year in question. The City may effect such termination by giving Vendor a written notice of termination at the end of its then current fiscal year.

8. **CANCELLATION:**

The City reserves the right to cancel the Agreement without penalty by providing 30 days prior written notice to the other party. Vendor shall provide the City with 120 days written notice prior to cancellation of the Agreement and shall continue services for a period of time not to exceed 120 days after written notification. Termination under this paragraph shall not relieve the Vendor of any obligation or liability that has occurred prior to cancellation.

**PART II**

**SCHEDULE**

1. **PROPOSAL SCHEDULE:** It is the City's intention to comply with the following proposal timeline:

1.1. Responses for RFQ are due **by 3:00 p.m., February 12, 2013**

Mail, Email or personally deliver responses to:

City of Round Rock  
Purchasing Department  
221 E. Main Street  
Round Rock, TX 78664

Attn: Barry Becker  
[bbecker@roundrocktexas.gov](mailto:bbecker@roundrocktexas.gov)

The City reserves the right to modify these dates at any time with appropriate notice to all prospective Respondents.

2. **BEST VALUE EVALUATION AND CRITERIA:** Respondents may be required to make an oral presentation to the selection team to further present their qualifications. These presentations will provide the Respondent the opportunity to clarify their proposal and ensure a mutual understanding of the services to be provided and the approach to be used.

All proposals received shall be evaluated based on the best value for the City. In determining best value, the City may consider the following:

- 2.1 Purchase price and terms;
- 2.2 Reputation of Respondent and of Respondent's good and services;
- 2.3 Experience, qualifications and quality of the Respondent's goods and services;
- 2.4 The extent to which the goods and services meet the City's needs;
- 2.5 Respondent's past relationship with the City;
- 2.6 Methodology and approach.
- 2.7 Proposed project schedule and timeline.
- 2.8 The total long-term cost to the Municipality to acquire the Respondent's goods or services;

**PART III**  
**SPECIFICATIONS**

**1. SCOPE OF WORK:**

This Request of Quote is to establish an agreement with a qualified Individual who is an investment advisor registered with the Securities and Exchange Commission and the Texas State Securities Board to provide nondiscretionary portfolio management services for City of Round Rock's investment portfolio. The Successful Respondent shall furnish all required labor, materials, supplies, and travel required for this service and shall meet or exceed the following requirements:

**2. GENERAL INFORMATION:**

2.1 The City is seeking advisors who demonstrate extensive experience, especially with fixed-income securities, to provide certain services related to the investment of City funds, including the execution of securities purchases/sales for the City's funds, investment advice, investment reporting, and review of the City's Investment Policy and procedures. The City has separately contracted for securities clearing and safekeeping with JPMorgan Chase ("Custodian"). All City securities will be held at the Custodian in the name of the City of Round Rock.

2.2 Day to day management responsibility for the investment program is delegated by the City Investment Officer(s), as named in the City investment policy. The advisor shall receive instructions regarding securities purchases/sales from the Investment Officer(s), whose decisions will be based upon instructions received at the previous Investment meeting.

2.3 The City funds are pooled for investment purposes and managed according to the City's approved Investment Policy (Attachment A). The City's Investment Officers meets at least quarterly to review investment performance and strategy and the advisor is expected to attend these meetings.

**3. FIRM QUALIFICATIONS AND EXPERIENCE**

3.1 Respondent shall be a registered Investment Advisor as defined and regulated by the Securities and Exchange Commission and be registered with the Texas State Securities Board.

3.2 Respondent shall either be completely independent of any financial institution or securities brokerage firm; or fully and continuously disclose any relationships with such financial institution(s) and/or securities brokerage firm(s), and further disclose any commissions, bonuses, or soft-dollar payments resulting from the firm's relationship with the City.

**4. SERVICE RESPONSIBILITIES:**

The vendor shall perform according to duties and responsibilities contained in this specification, including, but not limited to the following:

4.1 Take no possession of City monies or investment securities, nor have access to or control over such monies and/or securities.

- 4.2 Comply with Texas State law and the ordinances and policies of the City.
- 4.3 Assist in developing and implementing investment strategies that will enhance portfolio performance under current and anticipated changes in market conditions within the parameters of established investment policies and cash flow needs. Make presentations to the City's investment Committee, as needed, to support recommendations relating to investment strategy.
- 4.4 Provide non-discretionary management of the City's investment portfolio by acting solely in an advisory and administrative capacity within the guidelines of the City's Investment Policy.
- 4.5 Provide timely assessments of the market including market reaction to economic events.
- 4.6 Execute securities purchases/sales upon verbal instructions from authorized City staff. After a trade is executed, the advisor must confirm to the City by email all details of the trade including the dealers contacted and the prices received. An official trade confirmation must be mailed to City within five business days of the transaction. The City is responsible for instructing the Custodian to either accept or deliver securities transacted through the advisor.
- 4.7 Provide a minimum of three offers/bids for each trade and provide monthly reports documenting total trades offered and awarded to each dealer.
- 4.8 Provide detailed monthly reports, in a format acceptable to the City, which include, but not limited to, the following information on each security: par value, cost value, book value, and market value.
- 4.9 Attend Investment Committee meetings and present quarterly performance reports which shall include current information regarding the creditworthiness of investments in the portfolio, total return comparisons commentary and future outlook as it pertains to the City's portfolio.

## PART VII

### SUBMISSION REQUIREMENTS

**SOLICITATION SUBMISSION REQUIREMENTS:** To achieve a uniform review process and obtain the maximum degree of comparability, the responses shall be organized in the manner specified below. Responses shall be clear and concise and shall include at a minimum: title page, transmittal letter, index or table of contents, dividers for each section and all required attachments. One page shall be interpreted as one side of a double-spaced, printed, 8 1/2" X 11" sheet of paper.

The Respondent shall submit one (1) original signed paper copy and one (1) copy, clearly identified as a "COPY" of its Response.

The response and accompanying documentation are the property of the City and will not be returned.

**TITLE PAGE** (1 page) – Show the solicitation title and number, the name of your firm, address, telephone number(s) name of contact person and date.

**TAB #1**

1. **LETTER OF TRANSMITTAL** (1 page) – Identify the services for which solicitation has been prepared.

- 1.1 Briefly state your firm's understanding for the services to be performed and make a positive commitment to provide the services as specified.
- 1.2 Provide the name(s) of the person(s) authorized to make representations for your firm, their titles, address, telephone numbers and e-mail address.
- 1.3 The letter of each solicitation shall be signed in permanent ink by a corporate officer or other individual who has the authority to bind the firm. The name and title of the individual(s) signing the solicitation shall be clearly shown immediately below the signature.

**TAB #2**

2. **TABLE OF CONTENTS** (1 page) – Clearly identify the materials by Tab and Page Number.

**TAB #3**

3. **PERFORMANCE AND EXPERIENCE** –

- 3.1 Describe your firm, including date founded, ownership as well as any subsidiaries or affiliates that are relevant to the City.
- 3.2 Describe your firm's experience as investment advisors for municipalities and other public fund entities.
- 3.3 Identify the types of accounts primarily sought by your firm.
- 3.4 Describe any SEC or regulatory censure or litigation involving your firm or its employees within the past five (5) years. If there has not been any censure or litigation, please provide a statement attesting to this.
- 3.5 Describe clients, if any, who have terminated your contracts in the last three (3) years. Provide a contact name and telephone number for those clients.
- 3.6 Provide current copies of your firm's ADV Parts I and II as on file with the SEC and proof of your registration with the Texas State Securities Board.
- 3.7 Provide audited financial statements for the last three (3) years.

**TAB #4**

4. **PERSONNEL**

- 4.1 Identify the size of your firm's staff commitment to the public sector and the credentials of the key personnel.
- 4.2 Identify the personnel assigned to service the City account. Describe their relationship to your firm, their responsibilities, and their experience in the investment business, and specifically with public sector investment management, and the number of years they have been associated with your firm.
- 4.3 Identify any of the above personnel who have ever been investigated for alleged improper, fraudulent, or unfair activities related to the sale of securities. Please provide details.
- 4.4 Describe efforts your firm makes to keep its investment professional informed of developments relevant to government investment managers.

**TAB #5**

5. **INVESTMENT APPROACH**

- 5.1 Outline steps to be taken to ensure the CITY's objectives of safety, liquidity, and yield.
- 5.2 Describe your firm's experience in developing investment policies and portfolio strategies for governmental operating funds.
- 5.3 Describe the types of investment research utilized and the methods for making investment decisions, including maturity and selection.
- 5.4 Describe the primary strategies for adding value to portfolios.
- 5.5 Describe performance benchmarks you would suggest for the City portfolio.
- 5.6 Describe your procedures for portfolio review and client contact.
- 5.7 Describe any third-party vendors that you would utilize to service the CITY account

TAB #6

6. REPORTING AND FEES

- 6.1 Describe and submit samples of the reports you would submit to the City and their frequency.
- 6.2 Provide your firm's fixed fee schedule. Include any minimum fee requirements, description of fees covered by this fee structure, whether any additional fees are charged when there is no activity in the account or if the portfolio is invested entirely in a local government investment pool.
- 6.3 Describe any additional costs required to implement your services.
- 6.4 Describe any additional services offered or available through affiliation that may benefit the City. Provide a description of the service(s) and the price.

**EXHIBIT  
"B"**



**Request for Quote  
RFQ No: Q13-012  
Investment Advisory Services**

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Submitted  
February 12, 2013

By:  
Patterson & Associates  
Linda T. Patterson, President  
301 Congress Avenue, Suite 570  
Austin, TX 78701  
512-320-5042

**PATTERSON & ASSOCIATES**



**INVESTMENT PROFESSIONALS**

**ORIGINAL**



301 Congress Ave.  
Suite 570  
Austin,  
Texas 78701  
t. 800.817.2442  
t. 512.320.5061  
w. www.patterson.net

February 12, 2013

Mr. Barry Becker - Purchasing Department  
City of Round Rock  
221 East Main Street  
Round Rock, TX 78664

RE: RFQ # Q13-012 – Investment Advisory Services

Mr. Becker:

It is with pleasure and anticipation that *Patterson & Associates* hereby submits its proposal in response to the City's Request for Quote for Investment Advisory Services. The firm has thoroughly reviewed, agrees to, and can satisfactorily fulfill all the terms and conditions outlined in the Request for Quote. All questions have been answered fully and directly as possible in our response. *Patterson & Associates* has served the public sector since 1994 and understands the scope, needs and constraints of all the services being requested. We are fully committed to providing those services to the benefit of the City.

One original and one copy of the Proposal are being submitted. Should you need additional information or have questions about any of the items contained in our Proposal Package, you may contact the principal of the firm who is authorized to submit the proposal.

Linda Patterson CTP CMFA  
President/Principal  
301 Congress Avenue, Suite 570  
Austin, Texas 78701

[linda@patterson.net](mailto:linda@patterson.net)  
800-817-2442 or 512-320-5042

We know our firm could be a viable and effective contributor to the City's financial and treasury functions. As an independent firm we have tried to bring our unique perspective which will complement the City staff's many talents.

*Patterson & Associates* sees its role as one of *extended* staff to the City. Technical services available to the City under this contract address every aspect of the treasury operation. Different public clients require and desire different approaches to investment advisory assistance because of policies or internal operations and constraints. We recognize these differences and spend the time to fully understand your operation before offering and making recommendations to assure they fit your situation. Because the firm is small and dedicated to customized services, it can mold its wide range of services to your needs.

We appreciate the opportunity to serve the City of Round Rock in this position of public trust.

Respectfully submitted,

Linda T. Patterson  
President

**City of Round Rock, Texas  
Investment Advisory Services  
Table of Contents**

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**TAB #4:**

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Investment Approach page 12

**TAB #6**

Reporting and Fees page 22

**EXHIBITS**

1. Resumes & Speech List
2. ADV Parts I and II
3. Sample Reports

**PATTERSON & ASSOCIATES**



**INVESTMENT PROFESSIONALS**

## Response to Request for Quote

City of Round Rock, Texas  
Investment Advisory Services  
RFO No. Q13-012

February 12, 2013

### 3. PERFORMANCE AND EXPERIENCE

**3.1 Describe your firm, including date founded, ownership as well as any subsidiaries or affiliates that are relevant to the City.**

*Patterson Capital Management, dba Patterson & Associates*, was founded in **March 1994** as an SEC Registered Investment Advisory firm. The firm is a Texas Women-Owned Business Enterprise (WBE) focusing on and with extensive experience and knowledge of the public sector and is certified as a **HUB** (Historically Underutilized Business) by the State of Texas and the North Central Texas Regional Certification Agency (NCTCOG). The firm has provided investment management services to public entities continuously since May 1994.

The limited partnership ownership structure of the firm has never changed with the last partnership change in December 2006. Linda T. Patterson is now the sole owner and hands-on principal of *Patterson Capital Management* and its General Partner of the partnership. The firm remains, and will retain, this structure.

*Patterson & Associates* has always prided itself on its **independence**. Intentionally, the firm is not affiliated with any other institution. We feel that this independence serves our clients best, allowing us a totally unbiased view of the markets and use of various trading desks. It assures a real **competitive** process for our clients. As investment advisers, we believe disclosure and independence are critical for our clients. Any connection to a bank, broker, financial (debt) adviser, or other entity can have significant impact on the advisers and their actions. *Patterson & Associates* feels strongly that, as an independent agent for clients, there must be no arrangements or relationships that hinder competition or influence the investment of funds. The firm has specifically prohibited the use of "soft dollars" in our ethics and

operating policies and in practice. Use of soft dollars decreases independence and, we believe, has no place in public fund investing.

Overall, our goal is to skillfully manage each unique account and build **long-term client relationships**, thus assuring the overall success of our firm.

### **3.2 Describe your firm's experience as investment advisors for municipalities and other public fund entities.**

*Patterson & Associates* was formed in 1994 to serve as an investment advisor to the public sector. The assets under management have grown steadily since then reaching \$5 billion currently. Our investment management clients include cities, counties, school districts, municipal authorities of various types, airports, non-profits and higher education. We serve or have served clients in Texas, CA, NM, AZ, IL, FL, WA, OK and CO. The firm differentiates itself from firms only seeking assets by being a total resource for our clients. Services extend beyond simply managing funds to support in all aspects of treasury operations. Besides funds management, we serve a large number of public entities across the country for consulting in all aspects of treasury operations, banking, merchant services, internal control reviews and policy/procedural reviews. (A proprietary list of clients can be provided on request.)

In reviewing the resumes of our staff you will see our deep, hands-on experience in serving public funds as well as working on your side of the desk in public entities. (Exhibit 1) As an example, Ms. Patterson served twenty years in the public sector progressing from an assistant to the City Manager, city finance officer, Deputy then City Treasurer of the City of Fort Worth, Deputy State Treasurer and Chief Investment Officer of the State of Texas. She was co-author of the Public Funds Investment Act (1987) and Public Funds Collateral Act (1989) and has remained active in legislation every year since. She teaches for multiple state professional organizations (municipal and education) as well as teaching national GFOA Regional investment and banking seminars. She provides all the investment training for TML. She has spoken at thirteen GFOA national conferences on investment topics and has written two books on public funds investment ( Alex Information/Sheshunoff and Public Treasury Institute, D.C.). Because of our experience and our focus on education for the sector, the firm created, and controls, an online

investment training course in 2006 ([www.virtuallearningconcepts.com](http://www.virtuallearningconcepts.com)), because of the demand from public entities, and the class is now been tailored to fit the specific needs of several states. It is also offered through TML as part of their training program.

The firm's focus is based on Ms. Patterson's history and her goals for public entities of safety and proactive asset use.

**3.3 Identify the types of accounts primarily sought by your firm.**

*Patterson & Associates* was formed to serve the public sector to serve their operating funds and bond proceeds as well as their foundations and specialized funds (such as BCRUA). Our experience as a management team and as individuals has been rooted in the public sector. We apply our understanding of the unique needs, constraints and fiduciary responsibilities of public entities to structure and guide a safe and proactive investment program. Working as *extended staff* for our clients, we address the entire treasury operation through management and consulting to assure those objectives are met.

**3.4 Describe any SEC or regulatory censure or litigation involving your firm or its employees within the past five (5) years. If there has not been any censure or litigation, please provide a statement attesting to this.**

Neither *Patterson & Associates* nor any of its employees or partners has had any SEC, Texas State Securities Board, or FINRA censure or litigation filed against it by any government or other client. No complaint or action has been taken against the firm or any portfolio managers by any regulatory body. The firm is regulated by the SEC and has had a number of SEC standard audits since incorporation all resulting in the Commission's no action letters.

**3.5 Describe clients, if any, who have terminated your contracts in the last three (3) years. Provide a contact name and telephone number for those clients.**

Since January 2010, five entities have terminated their services with *Patterson & Associates*.

(a) The City of Rio Rancho, New Mexico challenged with severe budget problems, decided to move to a totally liquid position to meet immediate and uncertain cash needs. The majority of their funds were

utilized to pay bank fees on the contracted, high ECR at their depository rather than using lower earning investments. [Olivia Padillo-Jackson, Finance Director 505-896-8761]

(b) Castleberry ISD terminated their contract, which was for bond proceeds management, after budgetary cuts and low rates precluded them from paying for investment management services. The funds were essentially expended at this time. (Gary Jones, Superintendent 817-252-2036)

(c) Anahuac ISD terminated, in accordance with their contract, when the bond funds that were being managed were totally expended. (Rosie Womack, Asst. Superintendent for Business, 409-267-2002)

(d) City of Mercedes terminated the contract because of low rates and budgetary constraints. (Tony Aguilar, Finance Director, 936-565-3114)

(e) ReadyOne Inc. is a non-profit, specialized maker of defense department clothing in El Paso (employing only handicapped individuals). Recent changes in defense contracts and spending significantly reduced their assets, added material uncertainties, and reduced budgets. In response, the contract was suspended until, hopefully, the defense situation is clarified. (Russell Gibson, CFO, 915-858-7277)

During that same period, the firm added nine (9) **new** management clients and a large number of bank and treasury consulting clients.

**3.6 Provide current copies of your firms ADV Parts I and II as on file with the SEC and proof of your registration with the Texas State Securities Board.**

Copies of our ADV Parts I and II are attached as Exhibit 2 and available on our website ([www.patterson.net](http://www.patterson.net)) and through the SEC website. *Patterson & Associates* is a registered investment advisor under the Investment Advisor's Act of 1940 and was also registered with the State Board of the State of Texas before regulation parameters changed in the late 1990s.

The firm is registered and regulated by the Securities and Exchange Commission. Prior registration with the State of Texas Securities Board was closed a number of years ago because of the growth of the financial planner industry. Registration of advisers managing over \$10 million was moved exclusively from the individual states to the SEC. The individual states register and regulate small advisers only (those with AUM under \$10 million).

**3.7 Provide audited financial statements for the last three (3) years.**

*Patterson & Associates* is a privately owned partnership and therefore does not produce audited financial statements on an annual basis. Our detailed financial information is considered confidential. The firm has been a profitable enterprise since our second year of operation (1995) and can provide other types of financial reports if the City requires. The last audited statement was produced in 2002, when the firm had a corporate limited partner, which was a publicly held firm and therefore required published audits.

#### 4. PERSONNEL

##### **4.1 Identify the size of your firm's staff commitment to the public sector and the credentials of the key personnel.**

The firm has always been committed to the public sector. We had a few corporate clients (1996-1998) with IPO funds to be invested but now serve only public entities and non-profits. Our forty current clients are served by a **team** of registered investment advisors. Although each of our clients has a primary adviser assigned, all transactions are discussed among the team (facilitated through our bull-pen layout) and all advisers are fully knowledgeable regarding each account to avoid any interruption of service/discussions and to serve needs **safely** and efficiently. We have always used a small and dedicated staff supported by state-of-the-art technology. We find that communication and planning is better served by a small, well informed, and agile group of experienced professionals. Our hands-on philosophy is illustrated by the fact that we have **no voice mail**. We focus on tailored client service and our team approach to service.

Our team has four primary professionals. The full resumes of these individuals are attached (Exhibit 1) but a short bio for each is shown here to illustrate their experience and credentials as public fund managers. The histories illustrate the depth of public knowledge and experience, which will be provided to the City of Round Rock.

Our hands-on president, **Linda Patterson CTP CMFA** worked in the public sector for twenty years before forming our firm in 1994. Linda started her career as an Assistant to the City Manager in Fort Lauderdale, Florida where she worked primarily in the finance areas. Moving to Fort Worth in 1977, Linda was hired as the Finance Systems Manager to bring up a new finance program (FAMIS) and became a Division head then Assistant Finance Director at the city before her Council appointment as Deputy and then City Treasurer of the City for eight years (responsible for a portfolio averaging \$600 million). Her responsibilities at the city included central cashiering and tax collections where she effected many changes in receivables collections and cash handling City-wide. She moved to Austin in 1990 to become the appointed Deputy State Treasurer/Director of Investments under Kay Bailey Hutchison. At State, Linda had direct responsibility for the management of eighteen individual public funds managed at the

**Texas State Treasury** and its trust company (including Texpool) with assets over \$20 billion. Her work experience has encompassed all facets of City work and embedded a deep understanding of the unique needs and fiduciary responsibilities of public funds.

Linda initiated and shepherded the Texas **Public Funds Investment Act** through the Texas State Legislature in 1987 to open up the money markets to all Texas governmental entities. Prior to that date, only home-rule cities could access any securities markets. In 1989, she authored and guided the Texas **Public Funds Collateral Act** through the Texas legislature to assure depository funds remain safe and secure. Her work in changing the laws supplemented her drive to assure that all entities have the basics of investment knowledge to protect public assets. Since the 1980s her commitment to the public sector is shown through her active involvement in many teaching and professional organizations such as:

- **Texas Municipal League**, where she teaches their investment series across the state,
- **Government Finance Officer of Texas (GFOAT)**,
- **GFOA** (where she sat on the Treasury and Investments Committee for 10 years, speaks often at annual conferences including this year's international conference on banking, teaches GFOA national seminars, and is a frequent author for the organization),
- **Association of Public Treasurers US&C** (of which she was a board member and officer for six years),
- **Government Treasurer's Organization of Texas** (of which she was a founder and **first President**),
- **Austin Association of Finance Professionals**,
- **Texas Association of School Board Officials**,
- **Public Treasury Institute** DC as teacher and author, and
- the national **Treasury Management Association (TMA)** and other state and local organizations.

In addition, Linda is a frequent speaker/trainer for state GFOAs in Arizona, New Mexico and CA. Linda has taught often for the Oklahoma City Clerks and Treasurer's organization. With this focus, education of the public/private sector has always been a priority for Linda and *Patterson & Associates*. To support professional education and full understanding of investment topics, *Patterson & Associates* principals pay

an active role in these organizations and frequently author articles on timely topics and speak/teach at various forums. Ms. Patterson has written two books on the public funds cash management and investment process. (The latest published in 2012.) Linda's recent speech history is found in Exhibit 1 and illustrates her leadership in the field of public investing and cash management..

Linda is a **Certified Treasury Professional (CTP)**. She sits on several larger city investment advisory committees (Austin and San Antonio) and has served on special committees such as the **Texas State Pension Review Board Committee on Derivatives**. She was a **Board member at Texas Tech University for the Southwest School of Governmental Finance** from 1990 through its closure in 2007. She also did a series of training for investments for Government Services TV Network in 1998.

Since we work as a team, Linda will be personally be involved in the management and oversight of the City's portfolio. As an SEC registered investment adviser, she is committed to providing a safe and secure portfolio design based on your objectives. As the President of the firm, she is committed to providing the best and most responsive service for the City for a long term relationship.

**Howard N. Herring, Portfolio Manager**

Howard ("Howie") started his financial career in 1969 after returning from Vietnam as a highly decorated Marine. His experience in the markets started with the basic operations of a primary dealer learning all facets of the business, which lead to a deep personal understanding of markets and the economics driving it. His passion remains in the economic fundamentals driving the markets and provides a solid voice for our internal economic discussions and decisions.

Coming up through the ranks in NY, he worked his way up to become a trader and portfolio manager for a primary dealer in New York City responsible for a portfolio of over \$2 billion including public funds. A personal move to California took Howie to the sell-side for a few years for the firms of Liberty Securities and Prudential, learning about and serving primarily public entities. In 1997, he and his long-term business associate managed one of the taxable fixed income departments for Everen Securities. As partners, the two then founded their own investment advisory firm exclusively serving public sector clients. In 2006, Howie joined *Patterson & Associates* as a portfolio manager and has added an aggressive edge to the trading capabilities of the firm to push for the best structures and trades for our clients.

Howie has been active in the **CA MTA** and the **National APT US&C** since his years in CA, receiving the **National Service Award** from **APT** in 2000. He has been and continues to be active in Texas' **GTOT** (Government Treasurer's Organization). His dedication to education mirrors the profile and goals of *Patterson & Associates*. He has seven SEC registrations including a principal license and is a registered investment adviser. Howie will be the primary manager on the City portfolio.

**Justin Gard, Portfolio Manager**

Justin joined *Patterson & Associates* in June 2012. For the past four years Justin served as the Investment Manager of the Lower Colorado River Authority, a public agency in Austin with a portfolio averaging \$650 million. He was responsible for all security research and did much to enhance and extend the investment alternatives available to the Authority. Monthly and quarterly analysis and reporting was completed as part of his responsibilities as was cash management, cash flow analysis, monthly financial forecasting, and financial planning. As an investment manager in a public entity, Justin has hands-on experience with public entities' needs for documentation, safety and avoidance of headline risk.

Prior to his work at LCRA, Justin worked six years with Wells Fargo Bank/Advisers as a trust officer, funds manager and trust relationship manager. He coordinated his team to assure superior relationship management. His work included analysis of trust documentation as well as daily management and oversight of client accounts.

Justin is studying currently for his final Chartered Financial Analyst exam in 2013. He holds a BA in economics and is a Certified Treasury Professional.

**Jo Rikki Ramirez, Portfolio Analyst**

Rikki is a key associate at *Patterson & Associates*. Rikki graduated from the University of Texas at Austin with a Bachelor of Arts degree in Mathematics. She joined *Patterson & Associates* in September 2001 as a Portfolio Analyst. Rikki assists in security and portfolio analysis, handles all reporting and special projects. Rikki is a true pro on our portfolio management and reporting systems, which supply timely and accurate reporting to our clients. Her penchant for detail and accuracy is key and she has primary responsibility for gathering all the account and trade information needed to produce quality reports.

**4.2 Identify the personnel assigned to service the City account. Describe their relationship to your firm, their responsibilities, and their experience in the investment business, and specifically with public sector investment management, and the number of years they have been with your firm.**

As mentioned above *Patterson & Associates* operates as a **team**. Howie Herring will be the primary adviser assigned to the City but everyone discussed above will be intimately involved with the City account and be fully involved in the strategy discussions, compliance assurance and management of the City's portfolio. (Please see the full information for Howie and the rest of the team in response to the preceding question.)

**4.3 Identify any of the above personnel who have ever been investigated for alleged improper, fraudulent, or unfair activities related to the sale of securities. Please provide details.**

None of our advisers or other staff has been investigated for alleged improper, fraudulent or unfair activities related to the sale of securities.

**4.4 Describe efforts your firm makes to keep its investment professionals informed of developments relevant to government investment managers.**

Not only do we make an effort to learn about relevant information, we make an effort to teach, share, and spread ideas through our participation in these organizations. **We are an active part of public investment and public finance education.**

As an integral part of its business, our firm and its professionals are **active participants** in public finance and investment organizations at the local, state and national levels, which keep us abreast of all the trends, needs, and information flow relevant to public entities. Our professionals attend but, more importantly, **participate** in multiple state and national meetings and are sought after as speakers and teachers on the many cash management and investment subjects.

As part of our participation we not only contribute to but learn from our involvement in such organizations as GFOA; GFOAT; TASBO, TML, GTOT; local and national AFP; GFOA state organizations in CA, OK, AK, AZ, MN, and NM; and national APT (Assoc. of Public Treasurers). Linda made major contributions on the GFOA sub-committee which develops the best practices and advisories. She wrote much of the standard RFPs for investment advisory services and banking services, now advocated and

published by GFOA as best practices. Linda has served three terms on this committee as both a public sector participant in the 1980s and as an adviser for six years. She took an active role on this committee which produces all the treasury best practices for GFOA. As with this work, she has a wide network and stays abreast of current trends and movements and regulations.

Another important aspect of staying informed as a manager is **market contact**. Our market contacts stretch beyond any one firm's reach because of **our independence** from any associated broker/dealer or bank. Market information is constantly gathered from a wide number of brokerage firms giving us a balanced view of trends and market conditions. We do not rely on one economist or one trader, as those with associated firms will inevitably do, and this difference means our clients get a balanced and objective view and viewpoint.

*Patterson & Associates* managers **work closely with all our clients** to keep them informed on investment trends and legislation as well as market conditions and the corresponding effect on their own portfolio. We use a **daily newsletter and a quarterly expanded economics report** to keep our clients informed in addition to our on-going conversations. We believe in and support open lines of communication between the investment and accounting personnel of our clients and the *Patterson & Associates* management team. As such we also stay on top of trends, changes and new situations developing in our clients operations. We have tailored in-house education sessions for many of our clients on various topics in cash management and investing to this purpose.

## **5. INVESTMENT APPROACH**

### **5.1 Outline steps to be taken to ensure the City's objectives of safety, liquidity, and yield are met.**

We feel strongly about understanding your objectives and pursuing them along with your constraints and risk tolerance levels. We use a combination of regular communications, knowledge of your needs and objectives and continual monitoring of the portfolio. As an initial step in becoming your adviser we meet with your staff to fully understand your cash flows, operations and objectives so that the recommendations and decisions fit your unique situation. This initial work will include a close look at your policies and procedures. We can assist you best if we understand as much as possible about your treasury operations and cash flows.

Armed with a **full and complete understanding** of your goals and positions we execute on market decisions which are specifically tailored to the City. We start with **desk controls** to assure that only authorized and agreed upon investments and investment strategy is utilized. The controls we have incorporated into our daily procedures are designed to stay on top of your policy restrictions and goals, particularly liquidity needs and risk tolerances.

**Desk controls are a front line defense for compliance.** A detailed notebook with a file on your specific policy and procedure information and a summary sheet of your compliance points (authorized investments, WAM, maturities, brokers, credit limits, etc.) is maintained on the trading desk. The desk controls also includes each client's complete **Investment Policy** and every key point succinctly enumerated in our trading desk summary sheet. Before any investment is recommended to you it is verified against those total compliance requirements. Application of compliance controls on each trade is the key to assuring compliance. Your policy will always guide our decisions along with information from you on cash flow needs and risk tolerances.

Another necessary control for compliance and meeting for the City's objectives are cash flow. We develop, or use existing, **cash flow guidelines** with and for each client that will allow us to best monitor and recommend investments within the normal cash flow parameters set by payrolls, debt service, payables history and bond projections. In this manner, we can better identify opportunities for each portfolio.

The next step in ensuring your goals is **monitoring**. We monitor each portfolio continuously and have set points in time during each month in which the portfolio, as a whole, is reviewed for all compliance points, such as diversification limits. The team talks through each client's situation and potentials each month. The ongoing communication supplements set controls to assure that changes in conditions, cash flows or needs are made part of the strategy.

Finally, we **annually review** all the policies and procedures of all clients for **compliance** with state laws, as well as practicality and effectiveness. We suggest any changes to the client on periodic re-adoption of the policy by the governing body and this discussion assures that everyone understands the goals and parameters. Investment policy reviews are paramount to the smooth and safe functioning of any treasury operation. We will not manage funds for any entity without a policy, so that clear parameters are established and risk tolerances understood. *Patterson & Associates* works through and offers policy ideas and solutions to any entity from our training sessions so we stay on top of the issues at hand.

With market information at our fingertips and our disciplined investment management process, we aim to fulfill and ensure all the objectives of our clients and use every tool available to enhance performance while emphasizing safety. We use this information to base portfolio decisions on cash flow, monitor markets and adjust the portfolio as needed. We can thereby anticipate rate changes and manage the WAM (weighted average maturity) in preparation for those changes and continuously look for value in the market. All this is geared to assure safety of principal and a reasonable yield on the portfolio. The process depends on information and experience in the markets, as well as a targeted knowledge of your needs.

Part of your requirements includes counter-parties such as banks and broker/dealers. *Patterson & Associates* will be responsible for the reviews and documentation on all **broker/dealers** authorized for your account. We use your Council approved broker/dealer list (and add suggestions as necessary) and obtain all the needed certifications required. It is important to note that *Patterson & Associates* feels strongly about maintaining **two particular controls** on brokers and trade transactions.

- a. Some investment advisory firms which are associated with or owned by brokerage firms bring all trades *through* the brokerage subsidiary. This results in the City receiving all confirmations from

the brokerage because the final handling and trade is being established by that broker and not the broker from which the security was actually bought. In this manner, the City does not know the actual price paid on the original trade and certainly does not know what if any fee has been added to the price or whether competitive bidding has been done. We feel strongly that this does not represent the independent position required by our profession. All the City's trades will be confirmed *independently* from the specific selling (or buying) broker on your authorized broker list. The confirmation is sent directly from the broker to you (and us) to assure a clean audit trail.

- b. In this same brokerage arrangement, the securities bought for clients are often aggregated on the trade with the originating broker (the seller) only seeing the adviser's brokerage subsidiary as the buyer. This prevents the possibility of a clean audit trail and again obfuscates the trade itself.

**5.2 Describe your firm's experience in developing investment policies and portfolio strategies for governmental operating funds.**

Valid **investment policy development and on-going reviews** are paramount to the safe functioning of any treasury operation. We will not manage funds for any entity without a policy, so that clear parameters are established and risk tolerances understood by both parties. As such, *Patterson & Associates* works with each of its clients immediately to create or review their investment policy. It is almost impossible to calculate the number of investment policies we have written or modified for public and private entities. Some comparable entities would include the City of Mercedes, City of Lubbock, City of Peoria, City of Yuma, City of Austin, City of Galveston, Tucson Airport Authority, Pima County, Williamson County, University of North Texas, and Texas Woman's University, among many others. In her teaching, Ms. Patterson works with countless entities in developing safe and unique policies.

We work with all our clients to review and update policies and guidelines on an on-going basis to reflect the changes in the marketplace as well as internally to the City. In addition, we are available to work with the City, as we have with many other clients, to develop internal procedures as a safeguard and compliance factor. Such guidelines extend the objectives of the Policy into the everyday operations. With

public funds in particular, the foundation upon which investment decisions are made is critical. We know that after cash flow analysis, the policy is the critical factor in building an appropriate policy and a foundation of safety.

Ms. Patterson is nationally renowned in developing investment programs for public/private funds. Linda authored the Texas Public Funds Investment Act and Public Funds Collateral Act, which guides all investment of public funds and requires an investment policy adoption. With the Government Treasurer's Organization of Texas (GTOT), she initiated a certification process for investment policies and sat on the certification committee for many years. At the national level, Linda worked on the development of the APT US&C's model investment policy and policy certification program and served as a reviewer for their program for several years. Linda has authored a book on the Investment Process published by Alex Information (A Thompson Financial Company), which focuses on the investment policy as a primary foundation point for safe investing. In her most recent book on the Fundamentals of Public Investing, she dedicated a chapter to the structure and contents of a valid policy and how to develop the unique controls each entity needs individually.

In her previous positions, Linda wrote the first adopted investment policy for the City of Fort Worth and rewrote all the investment policies for the Texas State Treasury in 1991 and 1993. As part of the GFOA's standing Treasury and Investment Management Committee, Linda was active on all policy statements concerning investment guidelines from the GFOA from 1986 to 1992 and again in the last decade. As a teacher and lecturer, Linda regularly teaches courses for universities and professional organizations on the elements of investment policies and how to implement new policies on an administrative and technical basis. (See the list of teaching engagements in Exhibit 1) She taught a series of seminars on policy development and investing for the Texas Rural Water Association 1997-2005 along with series for the University of North Texas and *LOGIC*. She taped videos on the subject for the Government Services TV Network in Dallas which had national distribution.

### 5.3 Describe the types of investment research utilized and the methods for making investment decisions, including maturity and selection.

Investment advisory work is based on well founded and researched decision making – and a great deal of experience as an independent market participant - within a practical framework. Knowledge of all sides of the market and especially the public arena is critical. To gather information and use that information in the best manner for our clients we must gather it, research it, sift it, and act on it. Our adviser **team process** serves this goal by using each individual in the gathering of a wide range of information. The team can then add unique views and perspectives to the information. An ongoing conversation on the markets and its influences, which takes place on our desk, adds continuity and flexibility. Finally we share our views and information with our clients.

In the area of **research**, we monitor markets on several levels. We monitor corporate cash management and treasury operations for **new ideas** through our membership in professional organizations. We follow multiple economists and trading desks to research positions, advances, trends and risks which may affect our clients. **Market research** is critical to portfolio management. Market research is enhanced if it is filtered through extensive market knowledge and experience. Our portfolio managers utilize their over 80 years of market involvement and expertise to watch the markets and continuously discuss events and market movements with active participants and economists. Our work and curiosity allow us to analyze and interpret the impact of these events and news/moves. Our independence allows market information to be constantly gathered from a wide number of brokerage firms for a balanced view of trends and conditions. Our clients get a balanced and objective view and opinions. This balanced perspective applies to all facets of the investment selection including market sectors, maturities and other categories.

**Credit research** is also critical. We monitor on a continuous basis the credit ratings and news on any position held. This is particularly true in commercial paper and municipals but also, in these times, impacts of governmental, FDIC and SEC regulations. For any client with brokered CDs we carefully watch bank mergers and acquisitions each week. We have alerts set on various market programs to monitor on a timely basis.

Besides **credit research** our market research on securities comes from the information from brokers (the majority of which are primaries) and written market materials. In evaluating the efficacy of a security or trade again the team approach helps in filtering the information. Any **security structure** being considered is passed through a discussion phase as well as a careful investigation of the structure and a basic *shock test* to assess its performance under different rate scenarios.

Our presentation of an idea to a client is done either by email (on routine scenarios) or by a phone call to get information to you in the most efficient manner without disruption. In suggesting a purchase, sale or swap **we always need feedback** from you and encourage open questioning and conversation on the recommendation. We will normally have already gotten from you a set investment **horizon** which sets out the limit on maturities and other factors.

A standard recommendation would give you **full information** on the security (including structure) and the best yield that we see available or hope to get. With most of our clients, if it is agreeable we then proceed into the market and get the target yield or better. We do not come back for approval on a set price/yield in order to operate more efficiently in the market. In this way, we also use your time most effectively and reduce the interruptions in your day. After a trade is made, of course, the entire process of the trade ticket and confirmations starts.

#### **5.4 Describe the primary strategies for adding value to portfolios.**

We take considerable time to **understand the use and needs of the funds** we manage in order to set the best and most appropriate strategies for investment. Those strategies have to change within different market conditions so they must be constantly re-evaluated and communicated. We see operating funds (and to a certain extent bond funds) in a multiple quadrant pie drawn from your cash flow needs. These pie pieces address and support the portfolio requirements and uses. The strategy for each portion of the pie – like the size of the pie pieces through time – will vary on market conditions and needs.

We see **portfolios as living organisms** and continuously monitor the portfolio for any **trading ideas** that might be appropriate. This monitoring takes place through a **daily review** of the portfolio by the team to

needs, for the information we now have we would probably recommend that multiple benchmarks to be utilized would be the 6-month and one year treasuries and generic agencies for the comparable basis. In Reserve funds, since your policy allows a 5 year investment horizon but sets no WAM, we would probably suggest the use of a two or three year Treasury/Agency benchmark for those funds. From our review of the City's policy we would have a number of points to address with the City for future changes.

Benchmarks are as much, if not more, about risk than performance. Setting a benchmark too high will create the need to reach that goal, which will be reached only through the addition of risk to the portfolio. Safety has to be foremost in this practice also. The use of multiple benchmarks also indicates to the reader of the reports an important aspect of the yield curve which will be influencing the portfolio. For example, an extremely flat yield curve reflected in the benchmarks indicates why a portfolio might be kept short. As with all reporting, as long as the information is truly revealing, it aides to have it in the policies and reports. We pride ourselves on making our reports (and reviews) all about **information not data**.

Ms. Patterson has published several articles on the development and use of benchmarks for public portfolios and we would be discussing these parameters as part of our initial discussions.

#### **5.6 Describe your procedures for portfolio review and client contact.**

Once strategies are set, the choice of market sector and finally the choice of individual securities are based on three major factors: (a) **diversification** requirements of the policy, (b) **interest rate direction** and market trends, (c) **credit** ratings, and (d) **relative value**. These are the building blocks on which portfolio reviews are based. On a daily basis and during scheduled reviews we go back to these parameters.

Diversification within any portfolio must be checked before each trade is considered and then the security chosen based on it as well as relative value to other issuers. Sector analysis involves knowledge of the general business cycle conditions which affect the value presented by the security. (For example commercial paper will naturally have less value in a slow economy.) Another factor in the choice of sectors is the anticipated direction of interest rates. If rates are anticipated to fall, then locking into

longer term securities is favored whereas rising rate estimates will favor short and liquid choices. All these factors are incorporated into every decision and recommendation.

Procedurally, our trading desk controls highlight **your specific documents** defining policies, authorized broker/dealers, portfolio and security limits and trade status. This provides complete access and verification at all times. Before any transaction is recommended these control documents are checked, as is the current WAM of the portfolio. Systems are redundant and available to our team from any location. Portfolio lists are maintained on the desk so that verification is made before any action is taken. A daily cash flow sheet on the main desk also alerts the managers to upcoming needs.

We have established our own internal and **additional controls** to assure that full compliance is maintained on your portfolio such as: delivery versus payment on all trades, client sign-off before settlement, dual confirmations sent to you and P&A for audit trail, complete trade tickets on each transactions, and broker compliance screening.

A key control used internally by us is all transactions are reviewed by **at least two managers before implementation**. Any strategy change, any security choice and every trade are known by two managers. Any changes reported to us by you are discussed by the staff to assure that we all understand its ramifications. We will be fully familiar with you, but we will also continue to have ongoing detailed discussions to assure our understanding of the scope, objectives and needs under all conditions.

We continuously review your cash flow requirements and liquidity needs as well. From this, we design the portfolio and guide portfolio decisions. The process depends on **open communications**. This communication is maintained through our **daily e-mail** and calls as necessary on the market changes which affect relative value in that market.

On an ongoing basis, if we identify value in the market and want to make a recommendation for your portfolio, we communicate it directly to your staff through email or phone. We **discuss the value points** we see and try to establish a minimum yield value level for your staff's approval. This allows us to act efficiently when opportunities are available in the market without a secondary review when staff may be difficult to locate. **Trade tickets** are sent immediately to your staff for audit trail. Staff can retain final control on the trades if they chose by approving each trade ticket that is sent after execution. We do not

recommend that staff be involved in the approval of each trade as it occurs, since this inevitably delays trades and can detrimentally affect price levels received. We deal only with your approved broker/dealers.

As your adviser, we inform your custodian bank of the impending clearing and monitor all settlements to assure safety and timeliness. As a standard procedure, we have separate brokerage confirmations sent to us and to you for audit trail purposes. **As your manager, we never take possession of your securities or your funds.**

The value of a **hands-on team** is critical to you. All the parameters and objectives of each client are known, updated and understood by each member of the team. The team is communicating continuously on market situations and market forces and how these may affect the portfolio. Overall decisions of direction and rate anticipation are hammered out between team members. This allows us to not only bounce ideas about but hear all opinions and views before well thought-out advice is given to the client. The team approach also assures you that the portfolio is covered at all times by a knowledgeable and fully informed adviser and any absence from the office does not affect the management of the portfolio.

As we commence work with the City, we will have detailed discussions with you and we will continue those discussions to stay on top of the needs and parameters of the portfolio.

#### **5.7 Describe any third-party vendors that you would utilize to service the City account.**

The only "third-party" vendors that would be used by us are contracted services. These are the three systems we use to support our work. We utilize Bloomberg as our primary market system, SymPro as our primary portfolio reporting system and Interactive Data Systems as our independent pricing service. No third party would be used to provide service.

## 6. REPORTING AND FEES

### 6.1 Describe and submit samples of the reports you would submit to the City and their frequency.

Reporting is a key element in investments. It not only reports performance and risk, but detail and summary information. Reporting in different market situations tells us whether any changes to policies and procedures are needed.

We will work with the City to assure that tailored reports are **not just data but information** to aide staff and management to get the detailed information they need and assist in understanding the portfolio and the risks inherent in the portfolios. Portfolio reports are provided on a monthly and quarterly basis. We provide all GASB annual reporting. We can also add an annual report and journal entries if desired.

*Patterson & Associates* tailors the reports to your specific needs. We work in formulating the report components and presentation style - but at a minimum provide a large number of critical reports. All are in total compliance with the Act and accepted standards for portfolio reporting. The reports are directed towards two goals: providing **information not data** in a readable and informative format for investment personnel as well as management and Council, and providing **accurate and timely detail** on all transactions and calculations.

Specific sample reports are included in Exhibit 3.

- A monthly **portfolio holdings** report with book and market values allow the reader to verify that the objectives of diversification and safety are being met. The change in market values reflects risk and volatility risks.
- Summary **quarterly reports** give a broad view to management and Councils on the progress, diversity, performance and plans for the portfolio
- Graphics illustrating **diversification** by market sector and maturity provide a consolidated view of the portfolio which clearly shows structure over time.
- Monthly **accounting reports** allow the City's accounting staff to make any needed journal entries and reconciliations. Accounting is based on amortized book and independently verified market values.

- The **transaction report** of purchases/sales/calls/maturities keeps a record of all transactions on the portfolio and helps to fulfill the legal requirement to monitor broker activity.
- The **cash flow** update allows us to monitor for needed liquidity.
- Quarterly economic review allows the reader to view the portfolio in light of economic and market forces.

A review of our reports shows how information on the portfolio is designed to provide a view to liquidity, safety, performance, and transaction history in a concise and accurate – yet informative – manner. We are very versatile and flexible in creating reports that are comprehensive and useful and will work jointly with staff to tailor reports which fulfill your needs and establish a reporting timetable needed by the City.

The starting point for reporting is the **trade ticket**. It provides the basis for information, reconciliation and settlement. A specially tailored trade ticket is used to communicate information on each transaction, which is then compared to broker and custodial confirmations for accuracy and record keeping purposes. This document is also important to report the competitive bidding process. The trade ticket is sent to you and to your custodian.

For all our clients we also provide all your annual GASB 31 and 40 reporting on an annual basis for inclusion in your CAFR.

Some of our clients require us to create general ledger entries. If this is needed we will format them to your needs.

Flexibility in our systems allows for timely generation of **special annual reports** to assist in presentations for the Board or any investment committee meetings. We anticipate submission of monthly, quarterly, and annual reports to the City and will be available to make quarterly presentations to your Council as desired.

**6.2 Describe your firm's fixed fee schedule. Include any minimum fee requirements, description of fees covered by this fee structure, whether any additional fees are charged when there is no activity in the account or if the portfolio is invested entirely in a local government investment pool.**

*Patterson & Associates* is offering its total package of investment advisory and consulting services on a flat fee basis of \$ 30,000 per year payable quarterly in arrears (or monthly if preferred by the City). There will be no additional fees or expenses. This fee includes all the firm's consulting and training services and includes quarterly presentations to staff or City Council. Consulting services can include work on banking relationships (which the City has used in 2012), consulting and analysis on internal controls, securities lending, policy reviews and legislative updates, procedures, cashiering and safekeeping/custody, and other treasury aspects as required. Personalized training for staff or the Council would also be included. All these services are included in the fee.

We do recognize that the current historically low market rates limit portfolios' earnings and this situation may continue through 2013. For that reason, *Patterson & Associates* is willing to adjust and offer the fee for the first year to \$27,500.

Regardless of the level of activity on the portfolio the fee would be stable, because as with all our portfolios, the advisers are reviewing the markets daily for value and the portfolios for needs and opportunities. This activity continues in every market environment regardless of its makeup. This attention to the portfolio allowed us to react quickly and efficiently as the rates began to slide in 2009. Our advisers were moving funds into alternative authorized investments such as CDs and then later into municipal debt obligations. The role of your adviser is to be proactive on the City's part daily. In addition, the reporting and economic information distribution continues regardless of the portfolio(s) structures.

**6.3 Describe any additional costs required to implement your services.**

There will be no additional costs or fees required to implement and provide our services.

**6.4 Describe any additional services offered or available through affiliation that may benefit the City. Provide a description of the service(s) and the price.**

As noted above, all the consulting services offered by *Patterson & Associates* are included in this one fee. That is because we see treasury operations as a total system. If our expertise and experience can aide our clients in improving aspects of their treasury operations then it will benefit the portfolio and the entire City. Some of the primary additional services in the contract include:

- **Investment portfolio review.** We know that every portfolio must be periodically evaluated for performance and risk tolerances in keeping with the client's unique situations, goals and objectives. Our team is continuously called upon to evaluate portfolios as to market potential, structure and safety. Cities and districts across the US have had the firm analyze their portfolios and operations knowing that the practitioners at *Patterson & Associates* are experienced in interpreting portfolio risk and applicability to policy and objectives. Naturally, our on-going investment advisory (money management) clients enjoy the benefit of continuous reviews of their portfolios which includes periodic, effective presentations of that information to staff and management.
- **Investment Policy Reviews.** Investment policy reviews are paramount to the smooth and safe functioning of any treasury operation. We will not manage funds for any entity without a policy so that clear parameters are established and risk tolerances understood. *Patterson & Associates* works with each of its clients to review or create their investment policy to establish a foundation for safe investing. On the basis of a cash flow analysis, the policy needs to be constructed to form a firm foundation for safety. We have done innumerable policy and operational reviews for entities in many states. Part of this work includes structuring cash flow analyses which can be maintained each year.
- **Cash flow analysis.** Cash flow analysis and forecasting is essential to good portfolio management. We work with all clients to examine and project cash flows on a practical basis so that we can both rely on and utilize the information to make the portfolio as safe and proactive as possible.
- **Exposure reviews.** The firm has been called upon numerous times to advise public entities in the review of their cash management and treasury operations. The experience, with large and small

entities, that we bring to such a review adds value because of our operational backgrounds and our practical understanding of the area. The “**exposure**” review we pioneered is not an audit but a thorough performance review of the operations and controls in the treasury. Because of our experience in managing a major city’s treasury, tax, collections and central cashiering divisions as well as managing the state’s trading desk and Federal Reserve wire operation, a client is assured in knowing that the practitioners at *Patterson & Associates* are experienced in not only spotting inefficiencies but establishing controls, which assure safety without hindering operations.

- **Existing portfolio strategies review and development.**
- **Safekeeping arrangements.** Safekeeping of the City’s own securities must be secure and documentation and settlement handled as safely and efficiently as possible. We will work with the City as experts in the clearing area to assure safety.
- **Depository contracts,** services utilized, operations and structure. We perform depository service reviews for public and private entities to assure banking arrangements reflect a full utilization of cost effective bank services and efficient integration into investment operations. The bidding of banking services and evaluation of bank bids is a specialty of *Patterson & Associates*. Analysis starts with identification of specific needs in banking and clearing relationships as well as an identification of *true* costs. Needs are translated into required and optional services and an RFP constructed which is tailored to unique needs and evaluated objectively. Being involved with banking contracts constantly, we can evaluate new services to improve banking relationships, meet with bankers if necessary and help clients build a strong and equal business relationship. A quantifiable evaluation matrix is used to evaluate bids and we can participate in final negotiation proceedings and contract finalization.
- **Training.** As part of an advisory contract we provide innovative, flexible training for staff, management and even governing Councils.
- **Collateral pricing, custodial arrangements and contracts.** Collateral is a key element of public funds safety. We will work with you to assure that the collateral is appropriate, sufficient and custodied properly as well as the pricing (which we can do for you).

- **Review of broker/dealer requirements, documents, histories and performance.** Our firm will be doing all the policy certification work for the City and maintaining the files on each counter-party.

One very critical element and service that *Patterson & Associates* adds is its **independence**. Some advisors will even clear through their firm's brokerage arm and the City finds that it can not document a clear competitive bidding process or clearing. As an independent firm our goal is to make our clients shine not serve other corporate masters.

*Patterson & Associates appreciates the opportunity to serve the City of Round Rock in this position of highest fiduciary responsibility.*

## LINDA THOMSON PATTERSON, CTP

### WORK EXPERIENCE

#### Patterson & Associates

##### **President - March 1994 - Present**

As President of Patterson & Associates and a registered investment advisor, responsible for all the products and services provided by this institutional money management firm. The firm serves both public and private sector clients with fixed income funds management and cash management consulting.

#### Texas State Treasury

##### **Assistant Deputy State Treasurer & Director of Investments - January 1991 - March 1994**

Serving two State Treasurers, responsible for all investments of the State of Texas Treasury and its Trust Company including the direct supervision of the Federal Reserve account. As a result of the performance of its funds during the period, the funds under management grew from \$7.5 billion in 1991 to \$18 billion in 1993. The local government investment pool (TEXPOOL) grew from \$700 million to \$8 billion and eight portfolios were added under Trust. The total portfolio consistently outperformed all Donoghue Funds, Merrill Lynch and Shearson government indices and the comparable Treasury yield curve. Improved and designed network and mainframe computer systems to totally automate all trades from the trade to Federal Reserve wire. Instituted broker review and compliance program. Established first state oil hedging program which was object of several case studies and presentation at the NY Mercantile Exchange. Responsible for all vault operations, cash management programs and Federal Reserve wire. Improvements in operations allowed reduction of staff by two professional positions and savings of over \$500,000.

#### City of Fort Worth

##### **City Treasurer - August 1986 to January 1991**

Responsible for all City cash management and an actively managed a \$600 million portfolio. Established tax reform arbitrage and monitoring programs on bond proceeds. Improved cash handling and safety for the City through training, scheduled reviews and centralization. Initiated review and centralization of all negotiables (LOCs and bonds). Issued, sold and acted as registrar and paying agent on Texas' first "citizen bonds" (RIBS). Expanded use of credit cards payments in Police, Fire and Courts. Aggressive stance in collection of delinquent payments including taxes and receivables city-wide resulted in multimillion dollar City savings. Automated daily cash reporting and created bad check collection service for all departments. Moved tax collections to totally automated micr-coded, lockbox, collection system. Started work on centralized, geo-based receivable system for all departments. Initiated and played central role in passage of the Public Funds Investment Act of 1987 and 1989, and Public Funds Collateral Act of 1989 through the State legislature. Initiated Texas-wide investment policy review program through GTOT.

##### **Deputy Treasurer - October 1984 - August 1986**

Cash management specialist responsible for \$375 million plus portfolio. Initiated, contracted, centralized banking services and monitored all banking services. Developed first investment policy, monthly reporting and procedural manual. Implemented automated microcomputer portfolio management system and directed its use in all phases of investments process. Supervised tax collection operations. Designed and implemented a tax lockbox system and increased delinquent collections by over \$7 million. Awarded Texas Crunchbuster Productivity Award for use of collection coupon books by the State Comptroller.

**Assistant to the Finance Director - October 1983 - October 1984**

Acting as assistant department head, prepared annual and monthly financial statements. Responsible for control and direction of financial system and all subsystems. Established cash flow analysis process. Directly responsible for procedural development and implementation in accounts payable, warehouse, office services plus special projects. Decreased payables turnaround time from forty-five to eight days. Initiated and established central warehouse. Supervised twenty-five professional and clerical staff.

**Director of Policy and Productivity Department - January 1980 - September 1983**

Duties involved establishing and directing professional research and development department for procedural and operational research, systems analysis and work improvement efforts acting as an in-house consultant to the City.

- Presented major cost savings programs to City Council
- 1980-81 savings from systems implemented totaled \$3.1 million
- 1981-82 savings from systems implemented totaled \$1.4 million
- Greater than 73% of recommendations accepted and implemented by departments
- Institution of automated project management system for bond capital projects citywide
- Financial planning, modeling, forecasting and cash management studies completed
- Enterprise fund analysis and establishment work completed
- Organizational assessment and work studies of departments including Water, Finance, Personnel, Fire and Police
- Initiated first City use of microcomputers

**Systems Manager - Finance Accounting and Mgmt Information System**

**June 1977 - January 1980**

Implemented on-time, stabilized and managed City's accounting system (FAMIS) and all accounting subsystems of the City. Designed and directed accounting system rewrite on-time for economic and operating efficiency in second year. Directed accounting and data processing staffs in all phases of system implementation, daily operations and enhancement. Designed and implemented subsystems the budget, telephone and office services systems interfacing with FAMIS. Monitored files and ledgers in all system and accounting aspects. Conducted training for all departments in accounting practices and wrote and standardized accounting and user manuals.

**City of Fort Lauderdale, Florida**

**Administrative Assistant to City Manager - July 1974 - April 1977**

Multifunctional management and analytical duties as budget and research team member. Interdepartmental supervision and coordination. Management analysis duties. Productivity and efficiency studies for City Manager/Council. City liaison officer for foreign trade/tourist delegation developing trade lines and proposals, free port and sister city programs. Franchise development for cable television. Published first annual report as newspaper insert section.

**Florida Atlantic University**

**Graduate Research Associate - Institute of Behavioral Research - August 1973 - June 1974**

Recipient of HUD grant to research migrant life styles and develop plan for a planned community. Published training/administrative manuals for the use in the "new town" in Palm Beach County, Florida.

## **EDUCATION**

Masters of Public Administration, Florida Atlantic University, 1974 - Academic Honors  
Fulbright Scholar - West Germany, 1972-1973 - Cologne University, Cologne and RWTH, Aachen  
Bachelor of Arts in Political Science, Florida Atlantic University, 1970-71- Research Associate  
European-American Study Center, Basel, Switzerland, 1969-1970 - Honors Student  
Thiel College, Greenville, Pennsylvania, 1967-69

## **CERTIFICATIONS AND REGISTRATIONS**

Registered Investment Advisor  
Certified Corporate Cash Manager, Treasury Management Association, 1990  
Certified Municipal Finance Administrator, MTA US&C, 1988

## **LANGUAGES**

German and French

## **SKILLS AND FUNCTIONAL AREAS OF EXPERTISE**

Investments	Presentation/Communication of Ideas
Cash Flow Analysis and Forecasting	Banking and Depository Services
Cash Management	Workflow Analysis
Municipal/State Finance	Debt Issuance
Financial Forecasting	Grant Administration
Report Writing	Automated and Manual Systems Analysis
Operations Research	Budget Preparation

## **PROFESSIONAL ASSOCIATIONS, AWARDS AND MEMBERSHIPS**

Chair, Associate Member Advisory Committee, MTA US&C 2000-2001  
GASB 31 Implementation Advisory Committee 1997  
Dr. Jackson R.E. Phillips Award, MTA US&C - Outstanding Municipal Treasurer of the Year 1990  
State Pension Review Board - Blue-Ribbon Committee on Derivatives 1995  
Municipal Treasurer's Association of US & Canada - 1996 National Service Award  
Government Finance Officers Association  
Member Certification Committee 1997-1999  
Member Standing Committee on Cash Management 1986 - 1995; reactivated 2005  
Nominated to National Board 1990  
Government Finance Officers Association of Texas  
Member Legislative Committee 1987-1989  
Eanes Education Foundation, Austin  
Advisory Board Member, 1997-Present  
Texas REAL (Rural Education through Action Learning) 1998-2001  
Board Member and Treasurer  
Texas Tech University Southwest School of Governmental Finance  
Board Member 1988 - Present  
Yearly Lecturer on Investments and Banking 1989 - Present  
Consistently ranked as best instructor  
Who's Who in Finance and Government 1990  
Municipal Treasurer's Association of the US and Canada (MTA US&C)  
Board Member, Treasurer, Secretary, President-Elect (Left municipal work), Creator /Chairman of Technical Publications Committee 1988-90, National Service Award for Educational Contributions 1996, Annual Conference Program Chair 1988, Chairman and Editor of Treasury

Notes (monthly newsletter) 1988-1991, Investment Practices Committee 1997-Present  
 Government Treasurer's Organization of Texas  
 Co-Founder and First President 1987  
 Permanent Board Advisor  
 Texpool Local Government Investment Pool  
 Board Member 1988 - 1990  
 Local Government Investment Pool for Texas (North Texas COG)  
 Board Member 1988 - 1990  
 City of Austin Investment Advisory Committee, 1992-Present  
 Fort Bend County Investment Advisory Committee, 1995-2000  
 Texas Municipal League - Member Finance Legislative Committee 1988  
 North Texas State University, Technical Advisory Committee for TEA, Member 1986  
 American Red Cross of Tarrant County  
 Board Member 1986-1990 and Treasurer 1988-1990  
 Established agency-wide budget system and PC based accounting system  
 Leadership Fort Worth and Forum Fort Worth 1981-1991  
 Nominated by Fort Worth City Manager R.L. Herchert  
 United Way of Tarrant County  
 Member Training Advisory Board 1982-1990  
 International City Management Association - 1977-1986  
 International Host Program - Texas Christian University 1984-1988  
 Outstanding Young Woman of America 1976  
 Nominated by Mayor Clay Shaw, City of Fort Lauderdale, Florida

## **PUBLICATIONS**

Cash and Investment management for Local Governments, AlexInformation Publications, December 1999.  
The Ins and Outs of Consulting for Cities, Council of International Urban Liaison, as presented by City Manager R.L. Herchert in Bonn West Germany, October 1982. (A discussion of parameters for internal and external consultants use in municipal settings.)  
Introducing Microcomputers in Large Urban City Organizations, International City Management Association, MIS Report, October 1982  
 Review of Concepts and Practices in Local Government Finance by G. Miller for GFOA Research Center, 1988  
Texas Parries with Oil Hedging, Risk Magazine, September 1992  
Collections Techniques, Texas GFOA Newsletter, 1986  
 Review of The Money Market by M. Stigum for Government Finance Review, 1990  
Depository Contracts Review Checklist, Treasury Notes, MTA US&C, 1990  
Local Government Investment Pool Checklist, Co-Author for GTOT, 1991  
Cash Management Fitness Checklist, Technical Topic, MTA US&C, March 1990  
Market Monitors. A monthly market information analysis to all Texpool participants. 1990-1991  
CD Collateral - Are You Protected?, GTOT Trading Post, MTA US&C Treasury Notes, Texas Association of School Business Officers, 1993  
Elements of an Investment Policy for Governmental Entities, MTA US&C Technical Topic, September 1990  
Ms. Information Series for the MTA US&C Treasury Notes Newsletter, 1988-90  
LOC and CD Pitfalls, MTA US&C Treasury Notes, December 1987  
 Edited GFOA's Handbook of US Government Securities. GFOA, July 1993  
The Trouble with IOs Texas Treasury Newsletter and Independent Bankers Association Newsletter, December 1993.  
Derivatives: The Good, the Bad and the Ugly. Sheshunoff Government Financial Manager, April 1994 and Treasury Notes, MTA US&C, May 1994.  
A Public Investor's Guide to Money Market Instruments. (Editor) Government Finance Officers Association, May 1994.  
Debt Policy Handbook. (Editor/Reviewer) Municipal Treasurer's Association US & Canada, June 1994.

Fundamentals of Cash Management, International City Management Association, Washington, D.C., November 1995.

Cash Management Self Test, Municipal Treasurer's Association of US& Canada, October 1995.

Oil Hedging: Texas Case Study, White Paper for the New York Mercantile Exchange, New York, New York, December 1995.

Cash Management Review, Municipal Treasurer's Association of the US and Canada, Washington, D.C., December 1995.

Money Watch: A Three Part TV Series on Investment Policies, Depository Contracts, and Investment Contracts, Government Services Television Network, Dallas, Texas, September 1995.

GASB 31 Technical Report, Municipal Treasurer's Association of US and Canada, Washington D.C., October 1997.

TML Investment Handbook, Contributing Editor, Texas Municipal League, Austin, 1998

Rebalancing Your Portfolio, Public Investor, Government Finance Officers Association, August 1998.

**Presentations and Seminars by Linda T. Patterson (2008 - Present)**

*(visit our website for more information at [www.patterson.net](http://www.patterson.net))*

<u>Date</u>	<u>Presentation</u>	<u>Association</u>
Feb	2013 Public Investing in CA	San Clemente, CA
Jan	2013 Governance of Public Investing	CPM Program, NCTCOG, Arlington TX
Dec	2012 Public Investing in Texas	Texas Municipal League, San Antonio, TX
Dec	2012 Advanced Investing	GFOA Regional Seminar, Orlando, FL
Nov	2012 Investing School District Funds	Educational Service Center, Houston, Texas
Oct	2012 Invest Now? Are you kidding?	McCall Gibson for Water Districts, Houston, TX
Oct	2012 Investing School Funds	Educational Service Center, Austin, Texas
Oct	2012 Investments in a Tough Environment	Educational Service Center, Edinburg, Texas
Oct	2012 Public Investing for School District	Educational Service Center, Austin, Texas
Oct	2012 Appraisal District Investing	Texas Association of Appraisal Districts, Dallas, TX
Oct	2012 Educational Investing	Educational Service Center, San Antonio, Texas
Oct	2012 Ten Deadly Sins of Public Investing	TX Assoc. of County Auditors, Kerrville, TX
Sept	2012 Seven Deadly Sins of Public Investing	TX Society of CPAs, Austin, TX
Sept	2012 What is going on? An economic look at today's markets.	Austin Association of Financial Professionals, Austin, TX
Aug	2012 Public Investing in Texas	Texas Municipal League, Mesquite, TX
Jul	2012 Advanced Investing	GFOA Regional Training Session, Denver, Colorado
Jul	2012 Treasury Management and Banking	GFOA Regional Training Session, Denver, Colorado,
Jul	2012 Investing School District Funds	Educational Service Center, Edinburg, Texas
Jul	2012 Community Library Investments	Community Library Workshop, Austin, Texas
Jun	2012 Hedging with Public Funds	GFOA National Conference, Chicago, Illinois
Jun	2012 County Investing Challenges	Texas Association of Counties, San Antonio, Texas
May	2012 Investing School District Funds	Coastal Bend TASBO, Corpus Christi, TX
Apr	2012 Public Investing in Texas	National Assoc. of Housing & Redevelopment Org., Arlington, Texas
Apr	2012 MHMR Centers Challenges in Investing	MHMR CFO Workshop, Austin, Texas
Apr	2012 Educational Investing	Educational Service Center, San Antonio, Texas
Mar	2012 Investing in Texas	Texas Municipal League, Waco, TX
Jan	2012 Advanced Investing	GFOA, Long Beach, CA
Jan	2012 Treasury Management and Banking	GFOA, Long Beach, CA
Dec	2011 Public Investing in Texas	Texas Municipal League, San Antonio, TX
Dec	2011 Investing Public Funds	Coastal Bend TASBO, Corpus Christi, TX
Dec	2011 Investing School District Funds	Educational Service Center, Edinburg, Texas
Nov	2011 Investing Public Funds	Deep East Texas Risk Pools, Lufkin, Texas
Nov	2011 Investing School District Funds	Educational Service Center, Fort Worth, TX
Nov	2011 A Look at This Economy	TX Society of CPAs, San Angelo, Texas
Oct	2011 Appraisal District Investing	Texas Association of Appraisal Districts, Dallas, TX
Oct	2011 Investing in the Low Rate Environment	Educational Service Center, San Antonio, Texas
Oct	2011 Underfunded Pensions: How Did We Get Here?	TX Society of CPAs, Austin, Texas
Sept	2011 A Managers View of Investments	CPM Program, NCTCOG, Arlington TX
Aug	2011 Investing School District Funds	Educational Service Center, Houston, Texas
Aug	2011 Public Investing in Texas	Texas Municipal League, San Antonio, TX
July	2011 School Districts Investing and Cash Management	Educational Service Center, Edinburg, Texas
May	2011 Investing in the Low Rate Environment	Corpus Christ Investors Group, Del Mar College, Corpus Christ TX
Apr	2011 Investing in the Low Rate Environment	Educational Service Center, San Antonio, Texas
Apr	2011 How to Keep the Auditors at Bay in Investments	MHMR CFO Conference, Austin, Texas
Apr	2011 PFIC Compliance	TEXPO Annual Conference, Fort Worth, TX
Mar	2011 Public Funds Investing in Texas	Texas Municipal League, DeSoto, Texas
Jan	2011 Banking RFPs	Alamo Area School Business Officers, San Antonio, TX
Dec	2010 Is Investing Different for Appraisal Districts?	Texas Association of Appraisal Districts, Austin, TX
Dec	2010 Investing in Texas	Texas Municipal League, San Antonio, TX
Dec	2010 Investing When Investing Isn't Fun	Gulf Coast TASBO, Texas
Nov	2010 Investing School District Funds	Educational Service Center, Austin, Texas
Nov	2010 Investing School District Funds	Educational Service Center, Edinburg, Texas
Nov	2010 Investing School District Funds	Educational Service Center, Houston, Texas
Oct	2010 Investing School District Funds	Educational Service Center, San Antonio, Texas
Oct	2010 How to Stay Earning above the Pools	MHMR CFO Conference, Austin, Texas
Sept	2010 Is Strategizing a Joke at 0.20%?	Austin Association of Finance Professionals
Aug	2010 Public Funds Investing in Texas	Texas Municipal League, Austin, Texas
Jun	2010 What Finance Directors Need to Know About Banks Today	GFOA Annual Conference, Atlanta, GA

May	2010	Alternatives for Small Entities - Are We So Different?	Educational Service Center, Victoria, Texas
Apr	2010	Public Funds Investing in Texas	Texas Municipal League, San Antonio, Texas
Apr	2010	Investing Short Funds for MHMR Centers	MHMR CFO Conference, Austin, Texas
Apr	2010	Public Investing for City Officials	Institute of Urban Studies, UT Arlington, Arlington TX
Jan	2010	Public Funds Investing and Investment Law-Small Entities	Texas Municipal League, DeSoto, TX
Dec	2009	Investing Public School Funds	Coastal Bend TASBO, Corpus Christi, TX
Dec	2009	Public Funds Investing in Texas	Texas Municipal League, San Antonio, Texas
Nov	2009	Investing School District Funds	Educational Service Center, Fort Worth, Texas
Nov	2009	Appraisal District Investing	Texas Association of Appraisal Districts, Austin, TX
Nov	2009	Water Districts and Their Funds	McCall Gibson for Water Districts, Houston, TX
Nov	2009	Investing for Appraisal Districts	Deep East Texas Risk Pools, Lufkin, Texas
Nov	2009	Investing School District Funds	Educational Service Center, Houston, Texas
Oct	2009	Investing School District Funds	Educational Service Center, San Antonio, Texas
Oct	2009	Investments and Banking	MHMR CFO Conference, Austin, Texas
Oct	2009	Investment Economics	TX AICPA, Austin, TX
Sept	2009	Public Funds Investing and Investment Law	Texas Municipal League, Galveston, TX
Aug	2009	Investing Public Funds	Regional Finance Officers, Corpus Christ, TX
Aug	2009	MHMR Centers Challenges in Investing	Betty Hardwick Regional Center, Abilene, TX
Jun	2009	Investments when there are no rates!	TASBO Conference, Carlton, TX
May	2009	Investment Challenges Today	Austin Assoc of Financial Professional Austin, TX
May	2009	Alternatives for Small Entities - Are We So Different?	Educational Service Center, Victoria, Texas
May	2009	Investing Public Funds	P&A Clients, sponsored by LISD, Leander, Texas
Apr	2009	Collateral and Bank Safety	Texas County Treasurers, A&M University Seminar, Austin, Texas
Mar	2009	Investing in a Changing Rate Environment	Educational Service Center, San Antonio, Texas
Feb	2009	What Happened? What Should we Do?	TX Association of MHMR - CFO, Austin, TX
Dec	2008	What a Manager Needs to Know about Investments	University of Texas at Arlington, Arlington, Texas
Dec	2008	Public Funds Investing in Texas	Texas Municipal League, San Antonio, Texas
Dec	2008	Investing School District Funds	Educational Service Center, Houston, Texas
Oct	2008	Investing School District Funds	Educational Service Center, San Antonio, Texas
Oct	2008	Investing School District Funds	Regional Service Center, Fort Worth, Texas
Sept	2008	Investing in a Changing Rate Environment	GFOA of Minnesota, Alexandria, MN
Aug	2008	Treasury Operations and Controls	MHMR Center, Abilene, Texas
Aug	2008	Public Funds Investing in Texas	Texas Municipal League, Austin, Texas
July	2008	The Market and Its Message	Texas Rural Water Association, Galveston, Texas
June	2008	School Districts Investing and Banking	Educational Service Center, Victoria, TX
April	2008	School Districts Investing and Banking	Educational Service Center, San Antonio, TX
Feb	2008	Small Entity Investing	Texas Rural Water Association, San Antonio, Texas
Feb	2008	Investing Public Funds	Texas Municipal League, Harlingen, TX
Feb	2008	Investing for Small Districts	TX Association of MHMR - CFO, Austin, TX
Jan	2008	Investing Appraisal District Funds	TX Association of Appraisal Districts, Dallas, TX
Jan	2008	The Market and Its Message	Association of Community Libraries, Austin, TX

## HOWARD N. HERRING

### WORK EXPERIENCE

#### **Patterson Capital Management (dba Patterson & Associates)**

##### **Investment Adviser/Portfolio Manager - September 2006 to Present**

A registered investment advisor and portfolio manager, responsible for client relations, portfolio design and management. Focuses on market conditions and economic forecasts. Involved in all product and service decisions in this team oriented organization. The firm serves both public and private sector clients with fixed income funds management and cash management consulting.

#### **Tejas Securities Group - December 2005 to September 2006**

##### **Senior Vice President - Public Funds Investment Group**

Responsible for establishing relationships and managing public funds relationships with specialization in portfolio management strategies, investment analysis, market timing, and reporting. The goal of his work was maximization of yield with minimization of risk.

#### **Wachovia Securities Financial Network**

##### **Registered Principal - Manager**

As manager and registered principal of an independent branch of Wachovia, responsible for establishing new brokerage and funds management relationships with a focus on the Southwest and Pacific Northwest. Responsible for all relationships, accounting and reporting. Managed the branch office which allowed flexibility to provide full services to their municipal clients.

#### **Swan & Herring LLC 1999 to 2006**

##### **Principal**

Swan & Herring was formed on a long-term business relationship and was founded to provide investment advisory services to public entities focusing on portfolio management, strategies, market analysis and economic forecasting. The firm served clients primarily in California and Texas.

#### **Prudential Securities and Everen Securities - 1992 to 1999**

##### **Principal and Sales - Fixed Income**

A series of acquisitions in firms led to positions in Prudential Securities, First Union Securities and Everen Securities over a period of 7 years. Member of the Prudential President's Council and Leadership Council for the Pacific South Region. Through firm ownership changes the focus remained on public entities and their portfolio and strategy needs. Served clients across the Southwest.

#### **NY Hanseatic 1969 to 1987**

Responsible for a portfolio averaging over \$2 billion in money managed by this Primary Dealer on behalf of Commerzbank A.G., West Germany.

#### **US Marine Corps**

For service in Viet Nam decorated with a Bronze Star and two Purple Hearts.

### LICENSES CERTIFICATIONS AND REGISTRATIONS

Registered Investment Advisor

Certified Corporate Cash Manager, Association of Financial Professionals

SEC Security Registrations: Series 4, 7, 8, 24, 53, 63 and Series 65.

**JUSTIN K. GARD, CTP**

**WORK EXPERIENCE**

**Patterson & Associates**

**Investment Adviser/Portfolio Manager – June 2012 - Present**

A registered investment advisor and portfolio manager, responsible for client relations, portfolio design and management. Focuses on market conditions and economic forecasts. Involved in all product and service decisions in this team oriented organization. The firm serves both public and private sector clients with fixed income funds management and cash management consulting.

**Lower Colorado River Authority**

**Investment Analyst and Portfolio Manager – July 2008 – June 2012**

As the sole portfolio manager for the firm's \$650 million portfolio of fixed income securities, Justin was responsible for security research and analysis as well as strategy development and communication. He developed counterparty analysis and credit rating procedures and managed daily liquidity and monthly cash flow analysis. He prepared all monthly and quarterly reporting including extensive economic commentaries for the Board and exceeded budgeted interest expectations while assuring compliance with statutes and LCRA policies.

**Wells Fargo Bank PCS**

**Relationship Manager/Trust Administrator – February 2005 – July 2008**

As manager of over 240 custody, agency, VA estates, Special Need Trusts, Texas Section 142 Trusts and Guardianship Management accounts, Justin coordinated a bank team to provide superior relationship management, prudent investment management, probate law and trust code compliance with financial planning solutions. The work involved analysis and interpretation of trust and financial documents, protection of beneficiary interests, asset acquisition, cash management, probate law compliance and account retention/modification.

**Trust Administrator – August 2002 – February 2005**

As manager of over 260 family and charitable trusts worth over \$789 million, Justin was responsible for review and interpretation of wills/trusts, agency agreements and legal requirements. The position managed relationships with financial consultants, specialty asset managers, beneficiaries, attorneys and accountants. Forecast account depletion timelines, maximize account life and support distributions. Work with Investment Managers to value assets, develop strategies suitable per client, ensure strategy execution, co-managed account compliance, fiduciary risk management and trust/asset taxability problem resolution.

**EDUCATION**

Bachelor of Arts in Economics (Minor in Business Administration), University of Arizona, 2001

**CERTIFICATIONS AND REGISTRATIONS**

Registered Investment Advisor

Certified Treasury Professional, Association of Financial Professionals, 2012

Level I Candidate Chartered Financial Analyst (exam scheduled for 2012)

**SKILLS AND FUNCTIONAL AREAS OF EXPERTISE**

Investments Securities Analysis

Cash Flow Analysis and Forecasting

Municipal and Authority Finance

Financial Forecasting

Report Writing

Operations Research

Economics

Cash Management

Debt Issuance

Budget Preparation

Systems Analysis

Statistics

## JO RIKKI RAMIREZ

### WORK EXPERIENCE

#### Patterson & Associates

##### **Portfolio Analyst**

**September 2001 – Present**

As portfolio analyst, duties include assisting in security and portfolio analysis, reporting and special projects.

#### Verizon Wireless/PrimeCo

##### **Financial Assistant**

**2000 – June 2001**

Responsible for the accounts payable area in the Central Texas Region. The region spans across Austin, San Antonio, Corpus Christi, and the Rio Grande Valley. As financial assistant, issued capital purchase orders to vendors (75-100 monthly), paid all operating expenses for the region (700-800 invoices monthly), trained other employees on issuing purchase orders and paying operating expenses on Peoplesoft, and analyzed all vendor statements, vendor calls, and filing.

##### **Financial Intern**

**1999- 2000**

As financial intern, was hired to research the Y2K business impact to PrimeCo for the New Orleans, Houston, Austin, and San Antonio markets. Responsible for issuing Y2K compliant letters to all vendors (approx. 2,500), data entry of all information received into access database, and filing.

#### First State Bank (Wells Fargo)

##### **Proof Operator**

**Summer 1998**

As proof operator, responsible for processing checks and entering check information into individual bank accounts.

##### **Statement Renderer**

**Summers 1995- 1997**

As statement renderer, responsible for collating checks with monthly bank statements.

##### **Clerk**

**Summer 1994**

### EDUCATION

Bachelor of Arts in Mathematics, University of Texas at Austin.

## FORM ADV UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

Primary Business Name: PATTERSON &amp; ASSOCIATES

CRD Number: 110735

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**ADV Part 1A, Page 1**

**WARNING:** Complete this form truthfully. False statements or omissions may result in denial of your application, revocation of your registration, or criminal prosecution. You must keep this form updated by filing periodic amendments. See Form ADV General Instruction 3.

**Item 1 Identifying Information**

Responses to this Item tell us who you are, where you are doing business, and how we can contact you.

- A. Your full legal name (if you are a sole proprietor, your last, first, and middle names):  
PATTERSON CAPITAL MANAGEMENT LP
- B. Name under which you primarily conduct your advisory business, if different from Item 1.A.  
PATTERSON & ASSOCIATES  
*List on Section 1.B. of Schedule D any additional names under which you conduct your advisory business.*
- C. If this filing is reporting a change in your legal name (Item 1.A.) or primary business name (Item 1.B.), enter the new name and specify whether the name change is of  
 your legal name or  your primary business name:
- D. If you are registered with the SEC as an investment adviser, your SEC file number: 801- 46437
- E. If you have a number ("CRD Number") assigned by FINRA's CRD system or by the IARD system, your CRD number: 110735  
*If your firm does not have a CRD number, skip this Item 1.E. Do not provide the CRD number of one of your officers, employees, or affiliates.*

## FORM ADV UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

Primary Business Name: PATTERSON &amp; ASSOCIATES

CRD Number: 110735

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**Item 1 Identifying Information (Continued)**F. *Principal Office and Place of Business*

(1) Address (do not use a P.O. Box):

Number and Street 1:

Number and Street 2:

301 CONGRESS AVENUE SUITE 570

City:

State:

Country:

ZIP+4/Postal Code:

AUSTIN

TX

USA

78701

If this address is a private residence, check this box: 

*List on Section 1.F. of Schedule D any office; other than your principal office and place of business, at which you conduct investment advisory business. If you are applying for registration, or are registered, with one or more state securities authorities, you must list all of your offices in the state or states to which you are applying for registration or with whom you are registered. If you are applying for registration, or are registered only, with the SEC, list the largest five offices in terms of numbers of employees.*

(2) Days of week that you normally conduct business at your *principal office and place of business*:

Monday-Friday  Other:

Normal business hours at this location:  
8:00A.M. TO 5:00P.M.

(3) Telephone number at this location:  
512-320-5042

(4) Facsimile number at this location:  
512-320-5041

G. Mailing address, if different from your *principal office and place of business* address:  
Number and Street 1: \_\_\_\_\_ Number and Street 2: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Country: \_\_\_\_\_ ZIP+4/Postal Code: \_\_\_\_\_

If this address is a private residence, check this box:

H. If you are a sole proprietor, state your full residence address, if different from your *principal office and place of business* address in Item 1.F.:

Number and Street 1: \_\_\_\_\_ Number and Street 2: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ Country: \_\_\_\_\_ ZIP+4/Postal Code: \_\_\_\_\_

## FORM ADV UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

**Primary Business Name: PATTERSON & ASSOCIATES**  
**ADV - Annual Amendment, Page 3**  
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**CRD Number: 110736**  
**Rev. 11/2010**

### Item 1 Identifying Information (Continued)

YES NO

I. Do you have World Wide Web site addresses?  
If "yes," list these addresses on Section 1.I. of Schedule D. If a web address serves as a portal through which to access other information you have published on the World Wide Web, you may list the portal without listing addresses for all of the other information. Some advisers may need to list more than one portal address. Do not provide individual electronic mail addresses in response to this Item.

J. Contact Employee:

Name:	LINDA THOMSON PATTERSON			Title:	DIRECTOR AND PRESIDENT	
Telephone Number:	512-320-5042			Facsimile Number:	512-320-5041	
Number and Street 1:	301 CONGRESS AVENUE, SUITE 570			Number and Street 2:		
City:	State:			Country:	ZIP+4/Postal Code:	
AUSTIN	TX			USA	78701	

Electronic mail (e-mail) address, if contact employee has one:

LINDA@PATTERSON.NET

The contact employee should be an employee whom you have authorized to receive information and respond to questions about this Form ADV.

YES NO

K. Do you maintain some or all of the books and records you are required to keep under Section 204 of the Advisers Act, or similar state law, somewhere other than your principal office and place of business? If "yes," complete Section 1.K. of Schedule D.

YES NO

L. Are you registered with a foreign financial regulatory authority? Answer "no" if you are not registered with a foreign financial regulatory authority, even if you have an affiliate that is registered with a foreign financial regulatory authority. If "yes", complete Section 1.L. of Schedule D.

### FORM ADV UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

Primary Business Name: PATTERSON & ASSOCIATES  
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#### Item 2 SEC Registration

Responses to this Item help us (and you) determine whether you are eligible to register with the SEC. Complete this Item 2 only if you are applying for SEC registration or submitting an annual updating amendment to your SEC registration.

A. To register (or remain registered) with the SEC, you must check at least one of the Items 2.A(1) through 2.A(11), below. If you are submitting an annual updating amendment to your SEC registration and you are no longer eligible to register with the SEC, check Item 2.A(12). You:

(1) have assets under management of \$25 million (in U.S. dollars) or more;

See Part 1A Instruction 2.a. to determine whether you should check this box.

(2) have your principal office and place of business in Wyoming;

(3) have your principal office and place of business outside the United States;

(4) are an investment adviser (or sub-adviser) to an investment company registered under the Investment Company Act of 1940;

See Part 1A Instruction 2.b. to determine whether you should check this box.

(5) have been designated as a nationally recognized statistical rating organization;

See Part 1A Instruction 2.c. to determine whether you should check this box.

(6) are a pension consultant that qualifies for the exemption in rule 203A-2(b);

See Part 1A Instruction 2.d. to determine whether you should check this box.

(7) are relying on rule 203A-2(c) because you are an investment adviser that controls, is controlled by, or is under common control with, an investment adviser that is registered with the SEC, and your principal office and place of business is the same as the registered adviser;

See Part 1A Instruction 2.e. to determine whether you should check this box. If you check this box, complete Section 2.A(7) of Schedule D.

(8) are a newly formed adviser relying on rule 203A-2(d) because you expect to be eligible for SEC registration

0735  
2010

NO

NO

1/2011

within 120 days;

See Part 1A Instruction 2.f. to determine whether you should check this box. If you check this box, complete Section 2.A(8) of Schedule D.

## FORM ADV UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

**Primary Business Name: PATTERSON & ASSOCIATES**  
**ADV - Annual Amendment, Page 5**  
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**Rev. 11/2010**

**Item 2 SEC Registration (Continued)**

(9) are a multi-state adviser relying on rule 203A-2(e);

See Part 1A Instruction 2.g. to determine whether you should check this box. If you check this box, complete Section 2.A(9) of Schedule D.

(10) are an Internet investment adviser relying on rule 203A-2(f);

See Part 1A Instructions 2.h. to determine whether you should check this box.

(11) have received an SEC order exempting you from the prohibition against registration with the SEC;

If you checked this box, complete Section 2.A(11) of Schedule D.

(12) are no longer eligible to remain registered with the SEC.

See Part 1A Instructions 2.i. to determine whether you should check this box.

B. Under state laws, SEC-registered advisers may be required to provide to state securities authorities a copy of the Form ADV and any amendments they file with the SEC. These are called *notice filings*. If this is an initial application, check the box(es) next to the state(s) that you would like to receive notice of this and all subsequent filings you submit to the SEC. If this is an amendment to direct your *notice filings* to additional state(s), check the box(es) next to the state(s) that you would like to receive notice of this and all subsequent filings you submit to the SEC. If this is an amendment to your registration to stop your *notice filings* from going to state(s) that currently receive them, uncheck the box(es) next to those state(s).

<input type="checkbox"/> AL	<input type="checkbox"/> ID	<input type="checkbox"/> MO	<input type="checkbox"/> PA
<input type="checkbox"/> AK	<input type="checkbox"/> IL	<input type="checkbox"/> MT	<input type="checkbox"/> PR
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If you are amending your registration to stop your notice filings from going to a state that currently receives them and you do not want to pay that state's notice filing fee for the coming year, your amendment must be filed before the end of the year (December 31).

**Item 3 Form Of Organization**

A. How are you organized?

- Corporation
- Sole Proprietorship
- Limited Liability Partnership (LLP)
- Partnership
- Limited Liability Company (LLC)
- Other (specify):

If you are changing your response to this Item, see Part 1A Instruction 4.

**FORM ADV  
UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION**

Primary Business Name: **PATTERSON & ASSOCIATES**

CRD Number: **110735**

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**Item 3 Form Of Organization (Continued)**

- B. In what month does your fiscal year end each year?  
December
- C. Under the laws of what state or country are you organized?  
State: Country:  
Texas UNITED STATES

**Item 4 Successions**

A. Are you, at the time of this filing, succeeding to the business of a registered investment adviser?

YES NO

- 
- 

If "yes," complete Item 4.B. and Section 4 of Schedule D.

B. Date of Succession: (MM/DD/YYYY)

If you have already reported this succession on a previous Form ADV filing, do not report the succession again. Instead, check "No." See Part 1A Instruction 4.

**Item 5 Information About Your Advisory Business**

Responses to this Item help us understand your business, assist us in preparing for on-site examinations, and provide us with data we use when making regulatory policy. Part 1A Instruction 5.a. provides additional guidance to newly-formed advisers for completing this Item 5.

**Employees**

A. Approximately how many employees do you have? Include full and part-time employees but do not include any

clerical workers.

- 1-5     
  6-10     
  11-50     
  51-250     
  251-500  
 501-1,000     
  More than 1,000     
 If more than 1,000, how many?  
 (round to the nearest 1,000)

B.

- (1) Approximately how many of these *employees* perform investment advisory functions (including research)?
- 0     
  1-5     
  6-10     
  11-50     
  51-250  
 251-500     
  501-1,000     
  More than 1,000     
 If more than 1,000, how many?  
 (round to the nearest 1,000)
- (2) Approximately how many of these *employees* are registered representatives of a broker-dealer?
- 0     
  1-5     
  6-10     
  11-50     
  51-250  
 251-500     
  501-1,000     
  More than 1,000     
 If more than 1,000, how many?  
 (round to the nearest 1,000)

*If you are organized as a sole proprietorship, include yourself as an employee in your responses to Items 5.A(1) and 5.B(2). If an employee performs more than one function, you should count that employee in each of your responses to Item 5.B(1) and 5.B(2).*

## FORM ADV UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

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### Item 5 Information About Your Advisory Business (Continued)

- (3) Approximately how many firms or other *persons* solicit advisory *clients* on your behalf?
- 0     
  1-5     
  6-10     
  11-50     
  51-250  
 251-500     
  501-1,000     
  More than 1,000     
 If more than 1,000, how many?  
 (round to the nearest 1,000)

*In your response to Item 5.B(3), do not count any of your employees and count a firm only once -- do not count each of the firm's employees that solicit on your behalf.*

#### Clients

- C. To approximately how many *clients* did you provide investment advisory services during your most-recently completed fiscal year?
- 0     
  1-10     
  11-25     
  26-100     
  101-250  
 251-500     
  More than 500     
 If more than 500, how many?  
 (round to the nearest 500)

- D. What types of *clients* do you have? Indicate the approximate percentage that each type of *client* comprises of your total number of *clients*.

- (1) Individuals (other than *high net worth individuals*)
- (2) *High net worth individuals*

None	Up to 10%	11-25%	26-50%	51-75%	More Than 75%
<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

- (3) Banking or thrift institutions
- (4) Investment companies (including mutual funds)
- (5) Pension and profit sharing plans (other than plan participants)
- (6) Other pooled investment vehicles (e.g., hedge funds)
- (7) Charitable organizations
- (8) Corporations or other businesses not listed above
- (9) State or municipal *government entities*
- (10) Other:

The category "individuals" includes trusts, estates, 401(k) plans and IRAs of individuals and their family members, but does not include businesses organized as sole proprietorships.

Unless you provide advisory services pursuant to an investment advisory contract to an investment company registered under the Investment Company Act of 1940, check "None" in response to Item 5.D(4).

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#### Item 5 Information About Your Advisory Business (Continued)

##### Compensation Arrangements

E. You are compensated for your investment advisory services by (check all that apply):

- (1) A percentage of assets under your management
- (2) Hourly charges
- (3) Subscription fees (for a newsletter or periodical)
- (4) Fixed fees (other than subscription fees)
- (5) Commissions
- (6) *Performance-based fees*
- (7) Other (specify):

##### Assets Under Management

- F. (1) Do you provide continuous and regular supervisory or management services to securities portfolios?  YES  NO
- (2) If yes, what is the amount of your assets under management and total number of accounts?
- |                    | U.S. Dollar Amount    | Total Number of Accounts |
|--------------------|-----------------------|--------------------------|
| Discretionary:     | (a) \$ 30900000 .00   | (d) 3                    |
| Non-Discretionary: | (b) \$ 5212296954 .00 | (e) 34                   |
| Total:             | (c) \$ 5243196954 .00 | (f) 37                   |

Part 1A Instruction 5.b. explains how to calculate your assets under management. You must follow these instructions carefully when completing this Item.

##### Advisory Activities

G. What type(s) of advisory services do you provide? Check all that apply.

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More Than 75%

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- (1) Financial planning services
- (2) Portfolio management for individuals and/or small businesses
- (3) Portfolio management for investment companies
- (4) Portfolio management for businesses or institutional *clients* (other than investment companies)
- (5) Pension consulting services
- (6) Selection of other advisers
- (7) Publication of periodicals or newsletters
- (8) Security ratings or pricing services
- (9) Market timing services
- (10) Other (specify):  
CONSULTING SERVICES

*Do not check Item 5.G(3) unless you provide advisory services pursuant to an investment advisory contract to an investment company registered under the Investment Company Act of 1940.*

## FORM ADV UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

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### Item 5 Information About Your Advisory Business (Continued)

H. If you provide financial planning services, to how many *clients* did you provide these services during your last fiscal year?

- 0                       1-10                       11-25                       26-50                       51-100
- 101-250                       251-500                       More than 500                      If more than 500, how many?  
(round to the nearest 500)

I. If you participate in a *wrap fee program*, do you (check all that apply):

- (1) *sponsor* the *wrap fee program* ?
- (2) act as a portfolio manager for the *wrap fee program*?

*If you are a portfolio manager for a wrap fee program, list the names of the programs and their sponsors in Section 5.1(2) of Schedule D.*

*If your involvement in a wrap fee program is limited to recommending wrap fee programs to your clients, or you advise a mutual fund that is offered through a wrap fee program, do not check either Item 5.1(1) or 5.1(2).*

### Item 6 Other Business Activities

In this Item, we request information about your other business activities.

A. You are actively engaged in business as a (check all that apply):

- (1) Broker-dealer
- (2) Registered representative of a broker-dealer
- (3) Futures commission merchant, commodity pool operator, or commodity trading advisor
- (4) Real estate broker, dealer, or agent
- (5) Insurance broker or agent

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- (6) Bank (including a separately identifiable department or division of a bank)
- (7) Other financial product salesperson (specify):

YES NO

B. (1) Are you actively engaged in any other business not listed in Item 6.A. (other than giving investment advice)?  YES  NO

(2) If yes, is this other business your primary business?

YES  NO

If "yes," describe this other business on Section 6.B. of Schedule D.

YES NO

(3) Do you sell products or provide services other than investment advice to your advisory clients?

YES  NO

### FORM ADV UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

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#### Item 7 Financial Industry Affiliations

In this Item, we request information about your financial industry affiliations and activities. This information identifies areas in which conflicts of interest may occur between you and your clients.

Item 7 requires you to provide information about you and your related persons. Your related persons are all of your advisory affiliates and any related person that is under common control with you.

A. You have a related person that is a (check all that apply):

- (1) broker-dealer, municipal securities dealer, or government securities broker or dealer
- (2) investment company (including mutual funds)
- (3) other investment adviser (including financial planners)
- (4) futures commission merchant, commodity pool operator, or commodity trading advisor
- (5) banking or thrift institution
- (6) accountant or accounting firm
- (7) lawyer or law firm
- (8) insurance company or agency
- (9) pension consultant
- (10) real estate broker or dealer
- (11) sponsor or syndicator of limited partnerships

If you checked Items 7.A.(1) or (3), you must list on Section 7.A. of Schedule D all your related persons that are investment advisers, broker-dealers, municipal securities dealers, or government securities broker or dealers.

Yes No

B. Are you or any related person a general partner in an investment-related limited partnership or manager of an investment-related limited liability company, or do you advise any other "private fund" as defined under SEC rule 203(b)(3)-1?  YES  NO

If "yes," for each limited partnership or limited liability company, or (if applicable) private fund, complete Section 7.B. of Schedule D. If, however, you are an SEC-registered adviser and you have related persons that are SEC-registered advisers who are the general partners of limited partnerships or the managers of limited liability companies, you do not have to complete Section 7.B. of Schedule D with respect to those related advisers' limited partnerships or limited liability companies.

To use this alternative procedure, you must state in the Miscellaneous Section of Schedule D :(1) that you

have related SEC-registered investment advisers that manage limited partnerships or limited liability companies that are not listed in Section 7.B. of Schedule D ; (2) that complete and accurate information about those limited partnerships or limited liability companies is available in Section 7.B. of Schedule D of the Form ADVs of your related SEC-registered advisers; and (3) whether your clients are solicited to invest in any of those limited partnerships or limited liability companies.

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**Item 8 Participation or Interest in Client Transactions**

In this Item, we request information about your participation and interest in your *clients'* transactions. Like Item 7, this information identifies areas in which conflicts of interest may occur between you and your *clients*.

Like Item 7, Item 8 requires you to provide information about you and your *related persons*.

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**Item 8 Participation or Interest in Client Transactions (Continued)**

Proprietary Interest in Client Transactions

A. Do you or any *related person*:

- (1) buy securities for yourself from advisory *clients*, or sell securities you own to advisory *clients* (principal transactions)?  Yes  No
- (2) buy or sell for yourself securities (other than shares of mutual funds) that you also recommend to advisory *clients*?  Yes  No
- (3) recommend securities (or other investment products) to advisory *clients* in which you or any *related person* has some other proprietary (ownership) interest (other than those mentioned in Items 8.A(1) or (2))?  Yes  No

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Sales Interest in Client Transactions

B. Do you or any *related person*:

- (1) as a broker-dealer or registered representative of a broker-dealer, execute securities trades for brokerage customers in which advisory *client* securities are sold to or bought from the brokerage customer (agency cross transactions)?  Yes  No
- (2) recommend purchase of securities to advisory *clients* for which you or any *related person* serves as underwriter, general or managing partner, or purchaser representative?  Yes  No
- (3) recommend purchase or sale of securities to advisory *clients* for which you or any *related person* has any other sales interest (other than the receipt of sales commissions as a broker or registered representative of a broker-dealer)?  Yes  No

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Investment or Brokerage Discretion

C. Do you or any *related person* have *discretionary authority* to determine the:

- (1) securities to be bought or sold for a *client's* account?  Yes  No
- (2) amount of securities to be bought or sold for a *client's* account?  Yes  No
- (3) broker or dealer to be used for a purchase or sale of securities for a *client's* account?  Yes  No
- (4) commission rates to be paid to a broker or dealer for a *client's* securities transactions?  Yes  No

Yes No

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**Item 8 Participation or Interest in Client Transactions (Continued)**

- D. Do you or any *related person* recommend brokers or dealers to *clients*?
- E. Do you or any *related person* receive research or other products or services other than execution from a broker-dealer or a third party in connection with *client* securities transactions?
- F. Do you or any *related person*, directly or indirectly, compensate any *person* for *client* referrals?

*In responding to this Item 8.F., consider in your response all cash and non-cash compensation that you or a related person gave any person in exchange for client referrals, including any bonus that is based, at least in part, on the number or amount of client referrals.*

**Item 9 Custody**

In this Item, we ask you whether you or a *related person* has *custody* of *client* assets and about your custodial practices.

- A. (1) Do you have *custody* of any advisory *clients*': **Yes No**
  - (a) cash or bank accounts?
  - (b) securities?

*If you are registering or registered with the SEC, answer "No" to Item 9.A.(1)(a) and (b) if you have custody solely because (i) you deduct your advisory fees directly from your clients' accounts, or (ii) a related person maintains client funds or securities as a qualified custodian but you have overcome the presumption that you are not operationally independent (pursuant to Advisers Act rule 206(4)(2)-(d)(5)) from the related person.*

- (2) If you checked "yes" to Item 9.A.(1)(a) or (b), what is the amount of *client* funds and securities and total number of *clients* for which you have *custody*:

U.S. Dollar Amount	Total Number of Clients
(a)\$	(b)

*If your related person serves as qualified custodian of client assets, do not include the amount of those assets and the number of those clients in your response to Item 9.A.(2). Instead, include that information in your response to Item 9.B.(2).*

- B. (1) Do any of your *related persons* have *custody* of any of your advisory *clients*': **Yes No**
  - (a) cash or bank accounts?
  - (b) securities?

*You are required to answer this item regardless of how you answered Item 9.A.(1)(a) or (b).*

- (2) If you checked "yes" to Item 9.B.(1)(a) or (b), what is the amount of *client* funds and securities and total number of *clients* for which your related persons have *custody*:

U.S. Dollar Amount	Total Number of Clients
(a)\$	(b)

- C. If you or your *related persons* have *custody* of *client* funds or securities, check all the following that apply:

- (1) A qualified custodian(s) sends account statements at least quarterly to the investors in the pooled investment vehicle(s) you manage.

- (2) An independent public accountant audits annually the pooled investment vehicle(s) that you manage and the audited financial statements are distributed to the investors in the pools.
- (3) An independent public accountant conducts an annual surprise examination of *client* funds and securities.
- (4) An independent public accountant prepares an internal control report with respect to custodial services when you or your *related persons* are qualified custodians for *client* funds and securities.

If you checked Item 9.C.(2), C.(3) or C.(4), list in Section 9.C. of Schedule D the accountants that are engaged to perform the audit or examination or prepare an internal control report.

- D. Do you or your *related persons* act as qualified custodians for your *clients* in connection with advisory services you provide to *clients*? **Yes No**
- (1) you act as a qualified custodian
- (2) your *related persons* act as qualified custodians

If you checked "yes" to Item 9.D.(2), list in Section 9.D. of Schedule D all your *related persons* that act as qualified custodians for your *clients* in connection with advisory services you provide to *clients* (you do not have to list broker-dealers already identified as qualified custodians in Section 7.A. of Schedule D).

- E. If you are filing your annual updating amendment and you were subject to a surprise examination by an independent public accountant during your last fiscal year, provide the date (MM/YYYY) the examination commenced:

#### Item 10 Control Persons

In this Item, we ask you to identify every *person* that, directly or indirectly, *controls* you.

If you are submitting an initial application, you must complete Schedule A and Schedule B. Schedule A asks for information about your direct owners and executive officers. Schedule B asks for information about your indirect owners. If this is an amendment and you are updating information you reported on either Schedule A or Schedule B (or both) that you filed with your initial application, you must complete Schedule C.

Does any *person* not named in Item 1.A. or Schedules A, B, or C, directly or indirectly, *control* your management or policies? **YES NO**

If yes, complete Section 10 of Schedule D.

## FORM ADV UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

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#### Item 11 Disclosure Information

In this Item, we ask for information about your disciplinary history and the disciplinary history of all your *advisory affiliates*. We use this information to determine whether to grant your application for registration, to decide whether to revoke your registration or to place limitations on your activities as an investment adviser, and to identify potential problem areas to focus on during our on-site examinations. One event may result in "yes" answers to more than one of the questions below.

Your *advisory affiliates* are: (1) all of your current *employees* (other than *employees* performing only clerical, administrative, support or similar functions); (2) all of your officers, partners, or directors (or any *person* performing similar functions); and (3) all *persons* directly or indirectly *controlling* you or *controlled* by you. If you are a "separately identifiable department or division" (SID) of a bank, see the Glossary of Terms to determine who your *advisory*

affiliates are.

If you are registered or registering with the SEC, you may limit your disclosure of any event listed in Item 11 to ten years following the date of the event. If you are registered or registering with a state, you must respond to the questions as posed; you may, therefore, limit your disclosure to ten years following the date of an event only in responding to Items 11.A(1), 11.A(2), 11.B(1), 11.B(2), 11.D(4), and 11.H(1)(a). For purposes of calculating this ten-year period, the date of an event is the date the final order, judgment, or decree was entered, or the date any rights of appeal from preliminary orders, judgments, or decrees lapsed.

You must complete the appropriate Disclosure Reporting Page ("DRP") for "yes" answers to the questions in this Item 11.

For "yes" answers to the following questions, complete a Criminal Action DRP:

- |  |                       |                                  |
|--|-----------------------|----------------------------------|
| A. In the past ten years, have you or any <i>advisory affiliate</i> :  | <b>YES</b>            | <b>NO</b>                        |
| (1) been convicted of or plead guilty or nolo contendere ("no contest") in a domestic, foreign, or military court to any <i>felony</i> ? | <input type="radio"/> | <input checked="" type="radio"/> |
| (2) been <i>charged</i> with any <i>felony</i> ?   | <input type="radio"/> | <input checked="" type="radio"/> |

If you are registered or registering with the SEC, you may limit your response to Item 11.A(2) to charges that are currently pending.

- |  |                       |                                  |
|--|-----------------------|----------------------------------|
| B. In the past ten years, have you or any <i>advisory affiliate</i> :  | <b>YES</b>            | <b>NO</b>                        |
| (1) been convicted of or plead guilty or nolo contendere ("no contest") in a domestic, foreign, or military court to a <i>misdemeanor</i> involving: investments or an <i>investment-related</i> business, or any fraud, false statements, or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses? | <input type="radio"/> | <input checked="" type="radio"/> |
| (2) been <i>charged</i> with a <i>misdemeanor</i> listed in 11.B(1)?   | <input type="radio"/> | <input checked="" type="radio"/> |

If you are registered or registering with the SEC, you may limit your response to Item 11.B(2) to charges that are currently pending.

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### Item 11 Disclosure Information (Continued)

For "yes" answers to the following questions, complete a Regulatory Action DRP:

- |  |                       |                                  |
|--|-----------------------|----------------------------------|
| C. Has the SEC or the Commodity Futures Trading Commission (CFTC) ever:  | <b>YES</b>            | <b>NO</b>                        |
| (1) <i>found</i> you or any <i>advisory affiliate</i> to have made a false statement or omission?  | <input type="radio"/> | <input checked="" type="radio"/> |
| (2) <i>found</i> you or any <i>advisory affiliate</i> to have been <i>involved</i> in a violation of SEC or CFTC regulations or statutes?  | <input type="radio"/> | <input checked="" type="radio"/> |
| (3) <i>found</i> you or any <i>advisory affiliate</i> to have been a cause of an <i>investment-related</i> business having its authorization to do business denied, suspended, revoked, or restricted? | <input type="radio"/> | <input checked="" type="radio"/> |
| (4) entered an <i>order</i> against you or any <i>advisory affiliate</i> in connection with <i>investment-related</i> activity?  | <input type="radio"/> | <input checked="" type="radio"/> |
| (5) imposed a civil money penalty on you or any <i>advisory affiliate</i> , or <i>ordered</i> you or any <i>advisory affiliate</i>   | <input type="radio"/> | <input checked="" type="radio"/> |

to cease and desist from any activity?

D. Has any other federal regulatory agency, any state regulatory agency, or any *foreign financial regulatory authority*:

- (1) ever *found* you or any *advisory affiliate* to have made a false statement or omission, or been dishonest, unfair, or unethical?
- (2) ever *found* you or any *advisory affiliate* to have been *involved* in a violation of *investment-related* regulations or statutes?
- (3) ever *found* you or any *advisory affiliate* to have been a cause of an *investment-related* business having its authorization to do business denied, suspended, revoked, or restricted?
- (4) in the past ten years, entered an *order* against you or any *advisory affiliate* in connection with an *investment-related* activity?
- (5) ever denied, suspended, or revoked your or any *advisory affiliate's* registration or license, or otherwise prevented you or any *advisory affiliate*, by *order*, from associating with an *investment-related* business or restricted your or any *advisory affiliate's* activity?

E. Has any *self-regulatory organization* or commodities exchange ever:

- (1) *found* you or any *advisory affiliate* to have made a false statement or omission?
- (2) *found* you or any *advisory affiliate* to have been *involved* in a violation of its rules (other than a violation designated as a "*minor rule violation*" under a plan approved by the SEC)?
- (3) *found* you or any *advisory affiliate* to have been the cause of an *investment-related* business having its authorization to do business denied, suspended, revoked, or restricted?
- (4) disciplined you or any *advisory affiliate* by expelling or suspending you or the *advisory affiliate* from membership, barring or suspending you or the *advisory affiliate* from association with other members, or otherwise restricting your or the *advisory affiliate's* activities?

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### Item 11 Disclosure Information (Continued)

F. Has an authorization to act as an attorney, accountant, or federal contractor granted to you or any *advisory affiliate* ever been revoked or suspended?

G. Are you or any *advisory affiliate* now the subject of any regulatory *proceeding* that could result in a "yes" answer to any part of Item 11.C., 11.D., or 11.E.?

For "yes" answers to the following questions, complete a Civil Judicial Action DRP:

H. (1) Has any domestic or foreign court:

- (a) in the past ten years, *enjoined* you or any *advisory affiliate* in connection with any *investment-related* activity?
- (b) ever *found* that you or any *advisory affiliate* were *involved* in a violation of *investment-related* statutes or regulations?
- (c) ever dismissed, pursuant to a settlement agreement, an *investment-related* civil action brought against you or any *advisory affiliate* by a state or *foreign financial regulatory authority*?

(2) Are you or any *advisory affiliate* now the subject of any civil *proceeding* that could result in a "yes" answer to any part of Item 11.H(1)?

**Item 12 Small Businesses**

The SEC is required by the Regulatory Flexibility Act to consider the effect of its regulations on small entities. In order to do this, we need to determine whether you meet the definition of "small business" or "small organization" under rule 0-7.

Answer this Item 12 only if you are registered or registering with the SEC and you indicated in response to Item 5.F(2)(c) that you have assets under management of less than \$25 million. You are not required to answer this Item 12 if you are filing for initial registration as a state adviser, amending a current state registration, or switching from SEC to state registration.

**FORM ADV  
UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION**

Primary Business Name: PATTERSON & ASSOCIATES

CRD Number: 110735

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**Item 12 Small Businesses (Continued)**

For purposes of this Item 12 only:

- Total Assets refers to the total assets of a firm, rather than the assets managed on behalf of *clients*. In determining your or another *person's* total assets, you may use the total assets shown on a current balance sheet (but use total assets reported on a consolidated balance sheet with subsidiaries included, if that amount is larger).
- Control means the power to direct or cause the direction of the management or policies of a *person*, whether through ownership of securities, by contract, or otherwise. Any *person* that directly or indirectly has the right to vote 25 percent or more of the voting securities, or is entitled to 25 percent or more of the profits, of another *person* is presumed to control the other *person*.

YES NO

A. Did you have total assets of \$5 million or more on the last day of your most recent fiscal year?  YES  NO

If "yes," you do not need to answer Items 12.B. and 12.C.

B. Do you:

(1) *control* another investment adviser that had assets under management of \$25 million or more on the last day of its most recent fiscal year?  YES  NO

(2) *control* another *person* (other than a natural person) that had total assets of \$5 million or more on the last day of its most recent fiscal year?  YES  NO

C. Are you:

(1) *controlled* by or under common *control* with another investment adviser that had assets under management of \$25 million or more on the last day of its most recent fiscal year?  YES  NO

(2) *controlled* by or under common *control* with another *person* (other than a natural person) that had total assets of \$5 million or more on the last day of its most recent fiscal year?  YES  NO

**FORM ADV  
UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION**

Primary Business Name: PATTERSON & ASSOCIATES

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You must complete this Part 1B only if you are applying for registration, or are registered, as an investment

adviser with any of the state securities authorities.

**Part 1B Item 1 - State Registration**

Complete this Item 1 if you are submitting an initial application for state registration or requesting additional state registration(s). Check the boxes next to the states to which you are submitting this application. If you are already registered with at least one state and are applying for registration with an additional state or states, check the boxes next to the states in which you are applying for registration. Do not check the boxes next to the states in which you are currently registered or where you have an application for registration pending.

<input type="checkbox"/> AL	<input type="checkbox"/> ID	<input type="checkbox"/> MO	<input type="checkbox"/> PA
<input type="checkbox"/> AK	<input type="checkbox"/> IL	<input type="checkbox"/> MT	<input type="checkbox"/> PR
<input type="checkbox"/> AZ	<input type="checkbox"/> IN	<input type="checkbox"/> NE	<input type="checkbox"/> RI
<input type="checkbox"/> AR	<input type="checkbox"/> IA	<input type="checkbox"/> NV	<input type="checkbox"/> SC
<input type="checkbox"/> CA	<input type="checkbox"/> KS	<input type="checkbox"/> NH	<input type="checkbox"/> SD
<input type="checkbox"/> CO	<input type="checkbox"/> KY	<input type="checkbox"/> NJ	<input type="checkbox"/> TN
<input type="checkbox"/> CT	<input type="checkbox"/> LA	<input type="checkbox"/> NM	<input type="checkbox"/> TX
<input type="checkbox"/> DE	<input type="checkbox"/> ME	<input type="checkbox"/> NY	<input type="checkbox"/> UT
<input type="checkbox"/> DC	<input type="checkbox"/> MD	<input type="checkbox"/> NC	<input type="checkbox"/> VT
<input type="checkbox"/> FL	<input type="checkbox"/> MA	<input type="checkbox"/> ND	<input type="checkbox"/> VI
<input type="checkbox"/> GA	<input type="checkbox"/> MI	<input type="checkbox"/> OH	<input type="checkbox"/> VA
<input type="checkbox"/> GU	<input type="checkbox"/> MN	<input type="checkbox"/> OK	<input type="checkbox"/> WA
<input type="checkbox"/> HI	<input type="checkbox"/> MS	<input type="checkbox"/> OR	<input type="checkbox"/> WV
			<input type="checkbox"/> WI

**Part 1B Item 2 - Additional Information**

A. Person responsible for supervision and compliance:

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Telephone: \_\_\_\_\_

Fax: \_\_\_\_\_

Number and Street 1: \_\_\_\_\_

Number and Street 2: \_\_\_\_\_

City: \_\_\_\_\_

State: \_\_\_\_\_

Country: \_\_\_\_\_

ZIP+4/Postal Code: \_\_\_\_\_

Email address, if available: \_\_\_\_\_

If this address is a private residence, check this box:

B. Bond/Capital Information, if required by your home state.

(1) Name of Issuing Insurance Company: \_\_\_\_\_

(2) Amount of Bond:  
\$ .00

(3) Bond Policy Number: \_\_\_\_\_

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For "  
D.  
For "  
E.

For "  
F.

G

(4) If required by your home state, are you in compliance with your home state's minimum capital requirements?

Yes No

## FORM ADV UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

Primary Business Name: PATTERSON & ASSOCIATES

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### Part 1B Item 2 - Additional Information (Continued)

	Yes	No
For "yes" answers to the following question, complete a Bond DRP.		
C. Has a bonding company ever denied, paid out on, or revoked a bond for you?	<input type="radio"/>	<input type="radio"/>
For "yes" answers to the following question, complete a Judgment/Lien DRP:		
D. Do you have any unsatisfied judgments or liens against you?	<input type="radio"/>	<input type="radio"/>
For "yes" answers to the following questions, complete an Arbitration DRP:		
E. Are you, any <i>advisory affiliate</i> , or any <i>management person</i> currently the subject of, or have you, any <i>advisory affiliate</i> , or any <i>management person</i> been the subject of, an arbitration claim alleging damages in excess of \$2,500, involving any of the following:		
(1) any investment or an <i>investment-related</i> business of activity?	<input type="radio"/>	<input type="radio"/>
(2) fraud, false statement, or omission?	<input type="radio"/>	<input type="radio"/>
(3) theft, embezzlement, or other wrongful taking of property?	<input type="radio"/>	<input type="radio"/>
(4) bribery, forgery, counterfeiting, or extortion?	<input type="radio"/>	<input type="radio"/>
(5) dishonest, unfair, or unethical practices?	<input type="radio"/>	<input type="radio"/>
For "yes" answers to the following questions, complete a Civil Judicial Action DRP:		
F. Are you, any <i>advisory affiliate</i> , or any <i>management person</i> currently subject to, or have you, any <i>advisory affiliate</i> , or any <i>management person</i> been found liable in, a civil, <i>self-regulatory organization</i> , or administrative <i>proceeding</i> involving any of the following:		
(1) an investment or <i>investment-related</i> business or activity?	<input type="radio"/>	<input type="radio"/>
(2) fraud, false statement, or omission?	<input type="radio"/>	<input type="radio"/>
(3) theft, embezzlement, or other wrongful taking of property?	<input type="radio"/>	<input type="radio"/>
(4) bribery, forgery, counterfeiting, or extortion?	<input type="radio"/>	<input type="radio"/>
(5) dishonest, unfair, or unethical practices?	<input type="radio"/>	<input type="radio"/>
G. Other Business Activities		
(1) You are actively engaged in business as a(n) (check all that apply):		
<input type="checkbox"/> Attorney		
<input type="checkbox"/> Certified Public Accountant		
<input type="checkbox"/> Tax Preparer		

## FORM ADV UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

**Primary Business Name: PATTERSON & ASSOCIATES**  
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**Part 1B**

J. If yo  
 (1)

**Part 1B Item 2 - Additional Information (Continued)**

(2) If you are actively engaged in any business other than those listed in Item 6.A of Part 1A or Item 2.G(1) of Part 1B, describe the business and the approximate amount of time spent on that business:

(2)

H. If you provide financial planning services, the investments made based on those services at the end of your last fiscal year totaled:

	Securities Investments	Non-Securities Investments
Under \$100,000	<input type="radio"/>	<input type="radio"/>
\$100,001 to \$500,000	<input type="radio"/>	<input type="radio"/>
\$500,001 to \$1,000,000	<input type="radio"/>	<input type="radio"/>
\$1,000,001 to \$2,500,000	<input type="radio"/>	<input type="radio"/>
\$2,500,001 to \$5,000,000	<input type="radio"/>	<input type="radio"/>
More than \$5,000,000	<input type="radio"/>	<input type="radio"/>

(3)

If securities investments are over \$5,000,000, how much? (round to the nearest \$1,000,000)

If non-securities investments are over \$5,000,000, how much? (round to the nearest \$1,000,000)

Yes No

I. Custody

(1) Do you withdraw advisory fees directly from your *clients'* accounts? If you answered "yes", respond to the following:

(a) Do you send a copy of your invoice to the custodian or trustee at the same time that you send a copy to the *client*?

(b) Does the custodian send quarterly statements to your *clients* showing all disbursements for the custodian account, including the amount of the advisory fees?

(c) Do your *clients* provide written authorization permitting you to be paid directly for their accounts held by the custodian or trustee?

(2) Do you act as a general partner for any partnership or trustee for any trust in which your advisory *clients* are either partners of the partnership or beneficiaries of the trust? If you answered "yes", respond to the following:

(a) As the general partner of a partnership, have you engaged an attorney or an independent certified public accountant to provide authority permitting each direct payment or any transfer of funds or securities from the partnership account?

(3) Do you require the prepayment of fees of more than \$500 per *client* and for six months or more in advance?

**FORM ADV**  
**UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION**

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Part 1B Item 2 - Additional Information (Continued)

Yes No

J. If you are organized as a sole proprietorship, please answer the following:

(1) (a) Have you passed, on or after January 1, 2000, the Series 65 examination?  Yes  No

(b) Have you passed, on or after January 1, 2000, the Series 66 examination and also passed, at any time, the Series 7 examination?  Yes  No

(2) (a) Do you have any investment advisory professional designations?  Yes  No

If "no", you do not need to answer Item 2.J(2)(b).

(b) I have earned and I am in good standing with the organization that issued the following credential:

- Certified Financial Planner ("CFP")
- Chartered Financial Analyst ("CFA")
- Chartered Financial Consultant ("ChFC")
- Chartered Investment Counselor ("CIC")
- Personal Financial Specialist ("PFS")
- None of the above

(3) Your Social Security Number:

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Amend, retire or file new brochures:

Brochure ID	Brochure Name	Brochure Type(s)
51850	FORM ADV, PART 2A BROCHURE	Government/municipal, Other institutional

**FORM ADV  
UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION**

Primary Business Name: PATTERSON & ASSOCIATES

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Form ADV, Schedule A

**Direct Owners and Executive Officers**

1. Complete Schedule A only if you are submitting an initial application. Schedule A asks for information about your direct owners and executive officers. Use Schedule C to amend this information.
2. Direct Owners and Executive Officers. List below the names of:
  - (a) each Chief Executive Officer, Chief Financial Officer, Chief Operations Officer, Chief Legal Officer, Chief Compliance Officer (Chief Compliance Officer is required and cannot be more than one individual), director, and any other individuals with similar status or functions;
  - (b) if you are organized as a corporation, each shareholder that is a direct owner of 5% or more of a class of your voting securities, unless you are a public reporting company (a company subject to Section 12 or 15(d) of the

Exchange Act);

Direct owners include any *person* that owns, beneficially owns, has the right to vote, or has the power to sell or direct the sale of, 5% or more of a class of your voting securities. For purposes of this Schedule, a *person* beneficially owns any securities: (i) owned by his/her child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, sharing the same residence; or (ii) that he/she has the right to acquire, within 60 days, through the exercise of any option, warrant, or right to purchase the security.

- (c) if you are organized as a partnership, all general partners and those limited and special partners that have the right to receive upon dissolution, or have contributed, 5% or more of your capital;
  - (d) in the case of a trust that directly owns 5% or more of a class of your voting securities, or that has the right to receive upon dissolution, or has contributed, 5% or more of your capital, the trust and each trustee; and
  - (e) if you are organized as a limited liability company ("LLC"), (i) those members that have the right to receive upon dissolution, or have contributed, 5% or more of your capital, and (ii) if managed by elected managers, all elected managers.
3. Do you have any indirect owners to be reported on Schedule B?  Yes  No
4. In the DE/FE/I column below, enter "DE" if the owner is a domestic entity, "FE" if the owner is an entity incorporated or domiciled in a foreign country, or "I" if the owner or executive officer is an individual.
5. Complete the Title or Status column by entering board/management titles; status as partner, trustee, sole proprietor, elected manager, shareholder, or member; and for shareholders or members, the class of securities owned (if more than one is issued).
6. Ownership codes are: NA - less than 5%      B - 10% but less than 25%      D - 50% but less than 75%  
A - 5% but less than 10%      C - 25% but less than 50%      E - 75% or more
7. (a) In the *Control Person* column, enter "Yes" if the *person* has *control* as defined in the Glossary of Terms to Form ADV, and enter "No" if the *person* does not have *control*. Note that under this definition, most executive officers and all 25% owners, general partners, elected managers, and trustees are *control persons*.
- (b) In the PR column, enter "PR" if the owner is a public reporting company under Sections 12 or 15(d) of the Exchange Act.
- (c) Complete each column.

FULL LEGAL NAME (Individuals: Last Name, First Name, Middle Name)	DE/FE/I	Title or Status	Date Title or Status Acquired MM/YYYY	Ownership Code	Control Person	PR	CRD No. If None: S.S. No. and Date of Birth, IRS Tax No., or Employer ID No.
PATTERSON, LINDA, THOMSON	I	DIRECTOR, PRESIDENT AND CHIEF COMPLIANCE OFFICER	04/1994	E	Y	N	2469948
PATTERSON & ASSOCIATES	DE	LIMITED PARTNER	04/1994	NA	Y	N	742703915
IDSAL, WARREN, BRUCE	I	DIRECTOR	11/2003	NA	N	N	867820

**FORM ADV  
UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION**

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**ADV - Annual Amendment, SCHEDULE B**  
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**Form ADV, Schedule B**

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 (c)  
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 4. In t  
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 5. Cor  
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 6. Ov  
 7. (a)  
 (b)  
 (c)  
 Primary  
 ADV -  
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 1. Us  
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ers, all elected  
y incorporated  
ole proprietor,  
med (if more  
han 75%  
rms to Form  
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of the  
if None: S.S.  
Date of Birth,  
No., or  
er ID No.

**Indirect Owners**

1. Complete Schedule B only if you are submitting an initial application. Schedule B asks for information about your indirect owners; you must first complete Schedule A, which asks for information about your direct owners. Use Schedule C to amend this information.

2. Indirect Owners. With respect to each owner listed on Schedule A (except individual owners), list below:

(a) in the case of an owner that is a corporation, each of its shareholders that beneficially owns, has the right to vote, or has the power to sell or direct the sale of, 25% or more of a class of a voting security of that corporation;

For purposes of this Schedule, a *person* beneficially owns any securities: (i) owned by his/her child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, sharing the same residence; or (ii) that he/she has the right to acquire, within 60 days, through the exercise of any option, warrant, or right to purchase the security.

(b) in the case of an owner that is a partnership, all general partners and those limited and special partners that have the right to receive upon dissolution, or have contributed, 25% or more of the partnership's capital;

(c) in the case of an owner that is a trust, the trust and each trustee; and

(d) in the case of an owner that is a limited liability company ("LLC"), (i) those members that have the right to receive upon dissolution, or have contributed, 25% or more of the LLC's capital, and (ii) if managed by elected managers, all elected managers.

3. Continue up the chain of ownership listing all 25% owners at each level. Once a public reporting company (a company subject to Sections 12 or 15(d) of the Exchange Act) is reached, no further ownership information need be given.

4. In the DE/FE/I column below, enter "DE" if the owner is a domestic entity, "FE" if the owner is an entity incorporated or domiciled in a foreign country, or "I" if the owner is an individual.

5. Complete the Status column by entering the owner's status as partner, trustee, elected manager, shareholder, or member; and for shareholders or members, the class of securities owned (if more than one is issued).

6. Ownership codes are: C - 25% but less than 50% E - 75% or more  
D - 50% but less than 75% F - Other (general partner, trustee, or elected manager)

7. (a) In the *Control Person* column, enter "Yes" if the *person* has *control* as defined in the Glossary of Terms to Form ADV, and enter "No" if the *person* does not have *control*. Note that under this definition, most executive officers and all 25% owners, general partners, elected managers, and trustees are *control persons*.

(b) In the PR column, enter "PR" if the owner is a public reporting company under Sections 12 or 15(d) of the Exchange Act.

(c) Complete each column.

No Indirect Owner Information Filed

**FORM ADV  
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**Form ADV, Schedule C**

**Amendments to Schedules A and B**

1. Use Schedule C only to amend information requested on either Schedule A or Schedule B. Refer to Schedule A and Schedule B for specific instructions for completing this Schedule C. Complete each column.

2. In the Type of Amendment column, indicate "A" (addition), "D" (deletion), or "C" (change in information about the same *person*).

3. Ownership codes NA - less than 5% C - 25% but less than G - Other (general partner, trustee, or

are:

	50%	elected member)
A - 5% but less than 10%	D - 50% but less than 75%	
B - 10% but less than 25%	E - 75% or more	

4. List below all changes to Schedule A (Direct Owners and Executive Officers):

No Changes to Direct Owner / Executive Officer Information Filed

5. List below all changes to Schedule B (Indirect Owners):

No Changes to Indirect Owner Information Filed

## FORM ADV UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

**Primary Business Name: PATTERSON & ASSOCIATES**

**CRD Number: 110735**

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### Form ADV, Schedule D Page 1

Certain items in Part 1A of Form ADV require additional information on Schedule D. Use this Schedule D Page 1 to report details for items listed below. Report only new information or changes/updates to previously submitted information. Do not repeat previously submitted information.

#### Section 1.B. Other Business Names

List your other business names and the jurisdictions in which you use them. You must complete a separate Schedule D for each business name.

No Information Filed

#### Section 1.F. Other Offices

Complete the following information for each office, other than your *principal office and place of business*, at which you conduct investment advisory business. You must complete a separate Schedule D Page 1 for each location. If you are applying for registration, or are registered, only with the SEC, list only the largest five (in terms of numbers of employees).

No Information Filed

#### Section 1.I. World Wide Web Site Addresses

List your World Wide Web site addresses. You must complete a separate Schedule D for each World Wide Web site address.

World Wide Web Site Address: WWW.PATTERSON.NET

#### Section 1.K. Locations of Books and Records

Complete the following information for each location at which you keep your books and records, other than your *principal office and place of business*. You must complete a separate Schedule D Page 1 for each location.

No Information Filed

## FORM ADV UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

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**Form ADV, Schedule D Page 2**

Use this Schedule D Page 2 to report details for items listed below. Report only new information or changes/updates to previously submitted information. Do not repeat previously submitted information.

**Section 1.L. Registration with Foreign Financial Regulatory Authorities**

List the name, in English, of each *foreign financial regulatory authority* and country with which you are registered. You must complete a separate Schedule D Page 2 for each *foreign financial regulatory authority* with whom you are registered.

No Information Filed

**Section 2.A(7) Affiliated Adviser**

No Information Filed

**Section 2.A(8) Newly Formed Adviser**

If you are relying on rule 203A-2(d), the newly formed adviser exemption from the prohibition on registration, you are required to make certain representations about your eligibility for SEC registration. By checking the appropriate boxes, you will be deemed to have made the required representations. You must make both of these representations:

- I am not registered or required to be registered with the SEC or a *state securities authority* and I have a reasonable expectation that I will be eligible to register with the SEC within 120 days after the date my registration with the SEC becomes effective.
- I undertake to withdraw from SEC registration if, on the 120th day after my registration with the SEC becomes effective, I would be prohibited by Section 203A(a) of the Advisers Act from registering with the SEC.

**Section 2.A(9) Multi-State Adviser**

If you are relying on rule 203A-2(e), the multi-state adviser exemption from the prohibition on registration, you are required to make certain representations about your eligibility for SEC registration. By checking the appropriate boxes, you will be deemed to have made the required representations.

If you are applying for registration as an investment adviser with the SEC, you must make both of these representations:

- I have reviewed the applicable state and federal laws and have concluded that I am required by the laws of 30 or more states to register as an investment adviser with the securities authorities in those states.
- I undertake to withdraw from SEC registration if I file an amendment to this registration indicating that I would be required by the laws of fewer than 25 states to register as an investment adviser with the securities authorities of those states.

If you are submitting your *annual updating amendment*, you must make this representation:

- Within 90 days prior to the date of filing this amendment, I have reviewed the applicable state and federal laws and have concluded that I am required by the laws of at least 25 states to register as an investment adviser with the securities authorities in those states.

**FORM ADV  
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**Form ADV, Schedule D Page 3**

Use this Schedule D Page 3 to report details for items listed below. Report only new information or changes/updates to previously submitted information. Do not repeat previously submitted information.

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**Section 2.A(11) SEC Exemptive Order**

No Information Filed

**Section 4 Successions**

Complete the following information if you are succeeding to the business of a currently-registered investment adviser. If you acquired more than one firm in the succession you are reporting on this Form ADV, you must complete a separate Schedule D Page 3 for each acquired firm. See Part 1A Instruction 4.

No Information Filed

**Section 5.1(2) Wrap Fee Programs**

If you are a portfolio manager for one or more *wrap fee programs*, list the name of each program and its *sponsor*. You must complete a separate Schedule D Page 3 for each *wrap fee program* for which you are a portfolio manager.

No Information Filed

**Section 6.B. Description of Primary Business**

No Information Filed

**Section 7.A. Affiliated Investment Advisers and Broker-Dealers**

No Information Filed

**FORM ADV****UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION**

Primary Business Name: PATTERSON &amp; ASSOCIATES

ADV - Annual Amendment, SCHEDULE D, Page 4

4/1/2011 1:11:43 PM

CRD Number: 110735

Rev. 11/2010

**Form ADV, Schedule D Page 4**

Use this Schedule D Page 4 to report details for items listed below. Report only new information or changes/updates to previously submitted information. Do not repeat previously submitted information.

**Section 7.B. Limited Partnership Participation or Other Private Fund Participation**

You must complete a separate Schedule D Page 4 for each limited partnership in which you or a *related person* is a general partner, each limited liability company for which you or a *related person* is a manager, and each other private fund that you advise.

No Information Filed

**Section 9.C. Independent Public Accountant**

No Information Filed

**Section 9.D. Related Person Qualified Custodian**

No Information Filed

**Section 10 Control Persons**

You must complete a separate Schedule D Page 4 for each *control person* not named in Item 1.A. or Schedules A, B, or C that directly or indirectly *controls* your management or policies.

No Information Filed

**FORM ADV****UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION**

Primary Business Name: PATTERSON &amp; ASSOCIATES

ADV - Annual Amendment, SCHEDULE D, Page 5

CRD Number: 110735

Rev. 11/2010

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**Form ADV, Schedule D Page 5**

Use this Schedule D Page 5 to report details for items listed below. Report only new information or changes/updates to previously submitted information. Do not repeat previously submitted information.

**Schedule D - Miscellaneous**

You may use the space below to explain a response to an Item or to provide any other information.

No Information Filed

**FORM ADV  
UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION**

Primary Business Name: PATTERSON & ASSOCIATES

CRD Number: 110735

ADV - Annual Amendment, DRP Pages

Rev. 11/2010

4/1/2011 1:11:43 PM

**CRIMINAL DISCLOSURE REPORTING PAGE (ADV)**

No Information Filed

**REGULATORY ACTION DISCLOSURE REPORTING PAGE (ADV)**

No Information Filed

**CIVIL JUDICIAL ACTION DISCLOSURE REPORTING PAGE (ADV)**

No Information Filed

**Bond DRPs**

No Information Filed

**Judgment/Lien DRPs**

No Information Filed

**Arbitration DRPs**

No Information Filed

**FORM ADV  
UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION**

Primary Business Name: PATTERSON & ASSOCIATES

CRD Number: 110735

ADV - Annual Amendment, Execution Pages

Rev. 11/2010

4/1/2011 1:11:43 PM

**DOMESTIC INVESTMENT ADVISER EXECUTION PAGE**

You must complete the following Execution Page to Form ADV. This execution page must be signed and attached to your initial application for SEC registration and all amendments to registration.

**Appointment of Agent for Service of Process**

By signing this Form ADV Execution Page, you, the undersigned adviser, irrevocably appoint the Secretary of State or other legally designated officer, of the state in which you maintain your *principal office and place of business* and any other state in which you are submitting a *notice filing*, as your agents to receive service, and agree that such *persons* may accept service on your behalf, of any notice, subpoena, summons, *order instituting proceedings*, demand for arbitration, or other process or papers, and you further agree that such service may be made by registered or certified mail, in any federal or state action, administrative *proceeding* or arbitration brought against you in any place subject to the jurisdiction of the United States, if the action, *proceeding* or arbitration (a) arises out of any activity in connection with your investment

advisory business that is subject to the jurisdiction of the United States, and (b) is *founded*, directly or indirectly, upon the provisions of: (i) the Securities Act of 1933, the Securities Exchange Act of 1934, the Trust Indenture Act of 1939, the Investment Company Act of 1940, or the Investment Advisers Act of 1940, or any rule or regulation under any of these acts, or (ii) the laws of the state in which you maintain your *principal office and place of business* or of any state in which you are submitting a *notice filing*.

### Signature

I, the undersigned, sign this Form ADV on behalf of, and with the authority of, the investment adviser. The investment adviser and I both certify, under penalty of perjury under the laws of the United States of America, that the information and statements made in this ADV, including exhibits and any other information submitted, are true and correct, and that I am signing this Form ADV Execution Page as a free and voluntary act.

I certify that the adviser's books and records will be preserved and available for inspection as required by law. Finally, I authorize any *person* having custody or possession of these books and records to make them available to federal and state regulatory representatives.

Signature:	Date: MM/DD/YYYY
LINDA THOMSON PATTERSON	03/31/2011
Printed Name:	Title:
LINDA THOMSON PATTERSON	PRESIDENT
Adviser CRD Number:	
110735	

### NON-RESIDENT INVESTMENT ADVISER EXECUTION PAGE

You must complete the following Execution Page to Form ADV. This execution page must be signed and attached to your initial application for SEC registration and all amendments to registration.

#### 1. Appointment of Agent for Service of Process

By signing this Form ADV Execution Page, you, the undersigned adviser, irrevocably appoint each of the Secretary of the SEC, and the Secretary of State or other legally designated officer, of any other state in which you are submitting a *notice filing*, as your agents to receive service, and agree that such *persons* may accept service on your behalf, of any notice, subpoena, summons, *order instituting proceedings*, demand for arbitration, or other process or papers, and you further agree that such service may be made by registered or certified mail, in any federal or state action, administrative *proceeding* or arbitration brought against you in any place subject to the jurisdiction of the United States, if the action, *proceeding*, or arbitration (a) arises out of any activity in connection with your investment advisory business that is subject to the jurisdiction of the United States, and (b) is *founded*, directly or indirectly, upon the provisions of: (i) the Securities Act of 1933, the Securities Exchange Act of 1934, the Trust Indenture Act of 1939, the Investment Company Act of 1940, or the Investment Advisers Act of 1940, or any rule or regulation under any of these acts, or (ii) the laws of any state in which you are submitting a *notice filing*.

#### 2. Appointment and Consent: Effect on Partnerships

If you are organized as a partnership, this irrevocable power of attorney and consent to service of process will continue in effect if any partner withdraws from or is admitted to the partnership, provided that the admission or withdrawal does not create a new partnership. If the partnership dissolves, this irrevocable power of attorney and consent shall be in effect for any action brought against you or any of your former partners.

#### 3. Non-Resident Investment Adviser Undertaking Regarding Books and Records

By signing this Form ADV, you also agree to provide, at your own expense, to the U.S. Securities and Exchange Commission at its principal office in Washington D.C., at any Regional or District Office of the Commission, or at any one of its offices in the United States, as specified by the Commission, correct, current, and complete copies of any or all records that you are required to maintain under Rule 204-2 under the Investment Advisers Act of 1940. This undertaking shall be binding upon

you, your or any of

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you, your heirs, successors and assigns, and any *person* subject to your written irrevocable consents or powers of attorney or any of your general partners and *managing agents*.

**Signature**

I, the undersigned, sign this Form ADV on behalf of, and with the authority of, the *non-resident* investment adviser. The investment adviser and I both certify, under penalty of perjury under the laws of the United States of America, that the information and statements made in this ADV, including exhibits and any other information submitted, are true and correct, and that I am signing this Form ADV Execution Page as a free and voluntary act.

I certify that the adviser's books and records will be preserved and available for inspection as required by law. Finally, I authorize any *person* having custody or possession of these books and records to make them available to federal and state regulatory representatives.

Signature: \_\_\_\_\_ Date: MM/DD/YYYY

Printed Name: \_\_\_\_\_ Title: \_\_\_\_\_

Adviser CRD Number:  
110735

**State Registered Investment Adviser Execution Page**

You must complete the following Execution Page to Form ADV. This execution page must be signed and attached to your initial application for state registration and all amendments to registration.

**1. Appointment of Agent for Service of Process**

By signing this Form ADV Execution Page, you, the undersigned adviser, irrevocably appoint the legally designated officers and their successors, of the state in which you maintain your *principal office and place of business* and any other state in which you are applying for registration or amending your registration, as your agents to receive service, and agree that such persons may accept service on your behalf, of any notice, subpoena, summons, *order instituting proceedings*, demand for arbitration, or other process or papers, and you further agree that such service may be made by registered or certified mail, in any federal or state action, administrative *proceeding* or arbitration brought against you in any place subject to the jurisdiction of the United States, if the action, *proceeding*, or arbitration (a) arises out of any activity in connection with your investment advisory business that is subject to the jurisdiction of the United States, and (b) is founded, directly or indirectly, upon the provisions of: (i) the Securities Act of 1933, the Securities Exchange Act of 1934, the Trust Indenture Act of 1939, the Investment Company Act of 1940, or the Investment Advisers Act of 1940, or any rule or regulation under any of these acts, or (ii) the laws of the state in which you maintain your *principal office and place of business* or of any state in which you are applying for registration or amending your registration.

**2. State-Registered Investment Adviser Affidavit**

If you are subject to state regulation, by signing this Form ADV, you represent that, you are in compliance with the registration requirements of the state in which you maintain your principal place of business and are in compliance with the bonding, capital, and recordkeeping requirements of that state.

**Signature**

I, the undersigned, sign this Form ADV on behalf of, and with the authority of, the investment adviser. The investment adviser and I both certify, under penalty of perjury under the laws of the United States of America, that the information and statements made in this ADV, including exhibits and any other information submitted, are true and correct, and that I am signing this Form ADV Execution Page as a free and voluntary act.

I certify that the adviser's books and records will be preserved and available for inspection as required by law. Finally, I authorize any *person* having custody or possession of these books and records to make them available to federal and state

regulatory representatives.

Signature	Date MM/DD/YYYY
CRD Number 110735	
Printed Name	Title

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**ITEM 1**            **COVER PAGE**

**BROCHURE DATE**            **March 31, 2011**

**Patterson Capital Management LP**  
**dba Patterson & Associates**  
**301 Congress Avenue**  
**Suite 570**  
**Austin, TX 78701**

**(800) 817-2442 / (512) 320-5042**

[www.patterson.net](http://www.patterson.net)

Primary contact for the firm is:

Linda Thomson Patterson  
President

[Linda@patterson.net](mailto:Linda@patterson.net)  
(512) 320-5042

Though registered and regulated by the Securities and Exchange Commission that registration does not imply any particular or certain level of skill or training.

This brochure provides information about the qualification and business practices of Patterson & Associates. If you have any questions about the contents of this brochure, please contact the firm at 800-817-2442 or (512)320-5042 or through [info@patterson.net](mailto:info@patterson.net). 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 & Associates is also available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

**ITEM 2**            **MATERIAL CHANGES**

The information regarding Patterson & Associates and its employees included in this brochure has not materially changed since the last annual update to the Securities and Exchange Commission (SEC) dated April 1, 2010.

**ITEM 3      TABLE OF CONTENTS**

This Brochure is presented in nineteen separate sections fulfilling the requirements of SEC Rule 204 although not all sections are applicable to the Firm. Those items not applicable have been so designated and completed in the Brochure.

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**ITEM 4      ADVISORY BUSINESS**

Patterson Capital Management LP, dba Patterson & Associates, was founded in 1994 in Austin, Texas as a SEC registered investment advisory firm for public and corporate institutional clients. The firm was originally established and remains structured as a partnership, but currently the sole principal/owner of the firm is Linda T. Patterson.

*Patterson & Associates* is firm independent from any other financial or other company. As such, the firm believes it can best objectively analyze investment decisions for price, composition, and value.

The firm offers investment advisory services and treasury consulting services within a philosophy that funds management is a part of the wider treasury function. Public advisory clients currently are located in Texas, New Mexico, Arizona and Illinois. In addition, we furnish investment advice through consultations not included in a direct management service agreement. The firm offers investment advisory services for a percentage of assets under management, hourly charges, or fixed fees, dependent upon the needs of the clients. The firm does not serve individuals.

The focus of the firm has been the institutional public sector. Primarily serving the institutional public sector in the US, the firm invests client funds in short and intermediate range US domestic money markets

and fixed income markets. The firm generally uses US government and GSEs securities, commercial paper, municipals and certificates of deposit.

The operating and bond funds of public entities (cities, school, airports, hospitals, higher education, etc.) are by nature short term and are *working funds* with a higher need for liquidity than long term funds. Most portfolios the firm manages can not buy longer than five years to stated maturity.

Clients not statutorily required to have an adopted investment policy, are strongly encouraged to adopt a formal investment policy to set portfolio limitations and to explain risks inherent in the management of the funds.

An additional supporting service the firm provides is treasury consulting; ranging from internal control and procedural development/review to banking. This service is available to all funds management clients and to non-management clients alike.

The short-term and operating profile of most public funds requires that few portfolios can rarely be managed on a purely *discretionary* basis because the cash flows of the moneys is dynamic and requires on going communication. The firm manages longer-term reserve funds on a discretionary basis. As of December 31, 2010, the firm managed \$ 5,212,296,954 in non-discretionary funds based on book value and \$ 30,900,000 on a discretionary basis.

All clients of the firm have written investment policies (and if, in Texas, a policy adopted by the governing body of the client) which imposes controls on all aspects of the covered portfolios with maximum maturities, maximum weighted average maturities and market sectors. In addition, the clients have ultimate approval rights on the broker/dealers the firm utilizes. The clients' policy and the internal needs and cash flows of the clients guide the portfolios and the firm therefore tailors each portfolio to the unique needs of each portfolio.

See also Item 8.

## ITEM 5 FEES AND COMPENSATION

Patterson & Associates offers investment advisory services on the basis of a percentage of assets under management, hourly charges, or fixed fees, dependent upon the needs and requirements of the client. We do not deduct our fees from the client's assets. The firm does not custody client assets or securities.

Paterson & Associate's basic fee schedule for the provision of investment advisory services is as follows:

Up to \$5 million	0.20 %
\$5 million to \$10 million	0.18 %
\$10 million to \$25 million	0.15 %
\$25 million to \$50 million	0.10 %
Over \$50 million	negotiable

Advisory fees may vary, but generally will not exceed the fees noted in the schedule above.

In addition, the basic fee schedule described may vary due to the particular circumstances of the client or as negotiated with particular clients. Fees for non-discretionary and discretionary management services are generally billed in arrears on either a monthly or quarterly basis. In the event a client terminates its contract with Patterson prior to the end of a billing cycle, the fee for that period is prorated based on actual days in the period. At times, Patterson may also recommend that a client utilize a money market

fund. If the client invests in such a fund, the client may have to pay a fee in addition to that paid to Patterson.

Certain clients are charged a fixed fee, or an hourly fee, which varies from client to client, and which are billed in arrears on a quarterly or monthly basis.

All fees paid to Patterson for investment advisory services are separate and distinct from the fees and expenses charged by LGIP pools or mutual funds to their shareholders. These fees and expenses are disclosed in the statement (pool) or prospectus (funds). Clients can invest in pools or funds directly without the services of Patterson.

Clients will incur brokerage and custodial costs in connection with the services Patterson provides. Please see Item 12, Brokerage Practices, of the Brochure for a description of those costs.

#### **ITEM 6 PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Patterson & Associates does not charge any performance-based fees to clients, accounts or funds.

#### **ITEM 7 TYPES OF CLIENTS**

Patterson & Associates provides investment advisory and investment consulting services to both public and private institutional clients, including cities, school districts, hospitals, foundations, airports, counties. These services are provided in accordance with clients' liquidity and risk tolerances and within the clients' investment policies and objectives.

There are no minimum investment amounts or requirements for a client. Patterson & Associates generally recommends a minimum account size of \$1 million to justify a net positive return for the service (earnings minus fees).

See also Item 4.

#### **ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Patterson & Associates manages all client funds as separately managed portfolios defined by their unique objectives. Certain clients have several separately managed portfolios that are based on the specific type of and use of moneys (such as operating money, bond money, and reserves).

Strategies for each unique client portfolio are discussed with the client initially and included as part their investment policy. Discussions are held with clients on a periodic basis, at least annually, to identify

strategic opportunities for the portfolios and to explain associated market and credit risks. Strategies are limited generally by cash flow needs of the funds.

The firm primarily utilizes fundamental and technical analysis along with charting and cyclical analysis to support the individual strategies for the separately managed portfolios. The basic tools used include yield curve analysis, market trends and actual and perceived monetary policy. The generally short-term nature of the majority of clients' assets focuses market analysis in the short and intermediate term markets.

Patterson relies primarily, but not exclusively, on multiple unaffiliated, nationally recognized securities rating organizations (NRSRO) such as Standard & Poor's and Moody Investor Services for basic analysis of credit risk on corporate entities. Such ratings are supplemented by an on-going monitoring of corporate actions, influences and developments derived from all available independent news sources.

As discussed in Advisory Business, Patterson & Associates invests client funds in short and intermediate range US domestic money and fixed income instruments. Portfolios for operating and bond funds are policy controlled and generally use a buy-and-hold strategy. Securities are normally laddered in a manner reflecting the cash flow needs of the funds. Each portfolio is defined by policy with a maximum maturity and a maximum weighted average maturity which is continuously monitored by the firm. The primary risk associated with such investments is liquidity risk because these funds are used for ongoing operations and projects. Liquidity risk is mitigated with (a) maturities targeting cash needs, (b) a periodic cash flow review with the client and (c) a verification of viability before each trade. Any market risk is reduced through the buy-and-hold process which matches the maturity of investments with known liability dates.

**Debt and Other Income Producing Risk.** Income securities including money market instruments, are subject to interest rate, market and credit risk. Interest rate risk relates to changes in a security's value as a result of changes in interest rates generally. Even though such instruments are investments that may promise a stable stream of income, the prices of such securities are inversely affected by changes in interest rates and, therefore, are subject to the risk of market price fluctuations. In general, the values of fixed income securities increase when prevailing interest rates fall and decrease when interest rates rise. Market risk relates to the changes in the risk and perceived risk of an issuer, country or region. Credit risk relates to the ability of the issuer to make payments of principal and interest. A clients could lose money if the issuer of a fixed income security is unable to pay interest or repay principal when due. Credit risk applies to most fixed income securities. The values of income securities may also be affected by changes in the credit rating or financial conditions of the issuing entities.

**Municipal Bond Risks.** Municipal securities can be significantly affected by political changes as well as uncertainties related to taxation, legislative changes or the rights of municipal security holders. Because many municipal securities are issued to finance similar projects (for example, education, healthcare or transportation), conditions in those securities can affect the overall municipal market.

**Money Market Mutual Fund Risks –** Money market funds, and local government investment pools structured as a "2a-7 fund", are subject to market, credit and interest rate risk. Interest rate risk relates to changes in the value of securities held in the portfolio as a result of changes in interest rates generally. Credit risk relates to the ability of the issuer to make payments of principal on securities held in the portfolio. Credit risk applies to the securities in the portfolio as well as any credit rating on the fund or pool itself.

The strategy for reserve funds are also reviewed on the basis of potential fund usage and are restricted by policy as to maximum maturity and maximum weighted average maturity. If market or volatility risks are expected to affect the client's access to the funds and that access is in question by the client, the portfolios are shortened to reduce this risk.

**ITEM 9 DISCIPLINARY INFORMATION**

Not applicable.

**ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Patterson & Associates, its employees and supervised persons, have no financial affiliates. The firm is not actively engaged in any business other than giving investment advice and treasury consulting.

**ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Patterson & Associates has adopted a Code of Ethics and Personnel Regulations. The Code includes:

- Mission statement
- standards of conduct
- protection of material non-public information
- personal trading procedures and reporting
- reporting requirements and violations
- reviews and enforcement
- SEC requirements
- Affirmative action statements
- Confidentiality
- Internal controls
  - Systems controls
  - brokerage controls
  - trade controls
  - settlement and clearing controls

The Mission Statement and Code of Conduct are available on request to any client or prospective client.

Neither Patterson & Associates nor any employee, supervisor, or management persons have any financial interest in any related financial industry participant.

Patterson & Associates, its employees and its supervisory or management persons may invest in the same securities it recommends to its clients. With strict client written and policy limitations of investments: to the US Government and GSE markets, money markets and commercial paper, the firm sees no conflict of interest. The markets are deep and broad and, unlike equities, investments in the securities could not affect market prices.

All related persons of Patterson & Associates are required to report quarterly, to the Chief Compliance Officer, all investment transactions. These records are reviewed for potential conflicts of interest and the investment records are maintained.

Also included in the Patterson Code of Ethics is the provision that no employee or member of their family may accept gifts or gratuities when there is an attempt to influence or reward the employee in connection with any business or investment transaction.

## **ITEM 12      BROKERAGE PRACTICES**

### **Soft Dollars**

Patterson & Associates does not participate in any soft dollar arrangements. The firm has no incentive to select or recommend any broker/dealer. No fees or any type compensation is paid to Patterson & Associates from broker/dealers or funds. No research is done for any broker/dealer.

### **Broker/Dealers**

Patterson & Associates requires that all public clients approve a list of authorized broker/dealers for Patterson to use on their behalf. Patterson will only recommend a broker/dealer for a client that suits the client's portfolio needs. It may consider client referrals from a broker/dealer in selecting broker/dealers for an account; however, all investments are made on a competitive basis eliminating any potential conflict of interest. Broker/dealers are not selected based on client referrals to Patterson. Clients may require that a specific broker/dealer be included in the competitive list of client authorized broker/dealers; however, all investments are made on a competitive basis eliminating any potential conflict of interest. Not all clients direct brokerage. Clients should understand that if they direct the firm to utilize a specific broker/dealer, Patterson may not be able to obtain best execution on the client's trade as they may incur additional costs.

Under Texas law, Patterson & Associates may not place a trade for Texas governmental clients with a broker/dealer unless Patterson has received a certification from the broker/dealer that it has received the client's investment policy and the broker/dealer agrees to establish procedures which control the purchase of unauthorized securities.

Prior to placing a trade for any client, Patterson obtains at least three bids/offers from authorized broker/dealers who have provided the requisite certification or who are on the client's authorized list. Internally, Patterson will only seek bids/offers from a broker/dealer that has provided Patterson with the following documents at a minimum: the broker/dealer's state registration, a completed Patterson questionnaire for background and contact information, FINRA registration and CRD numbers, and annual financial statements. All information on broker/dealers is maintained by Patterson.

### **Aggregation of Trades**

Patterson & Associates does occasionally aggregate the purchase and sale of securities for various clients. Trade aggregation is addressed in the Patterson's Code of Ethics. In its sole discretion Patterson may aggregate trades for several clients with similar needs. Individual accounting for the security is applied on each client's documentation. Each client participating in an aggregated trade will receive a client confirmation.

When trades are aggregated, (a) the actual price shall be applied to each client's exact portion of the transaction, (b) all transactions costs are assessed in a pro rata basis to each client (as applicable), (c) each clients receives a complete and separate broker/dealer confirmation on the trade designating their ownership in their portion (par value) of the trade.

**ITEM 13            REVIEW OF ACCOUNTS**

In order to understand client needs and objectives and to assure that those objectives are met, Patterson & Associates completes a thorough review and discussion with each new client to obtain necessary guidance and policy documents and establish guidelines.

On a periodic basis, and no less than annually, Patterson reviews the client portfolio(s) and all pertinent client documents, cash flows, and policies. The procedures of separate account management are thoroughly reviewed with each new client and as needed. The review includes: proposed portfolio structure, portfolio policy limitations, pricing mechanisms and sources, and assignment of responsibilities inside Patterson. These reviews are noted but not written.

A Patterson internal team review with all advisory persons, including the firm's President/CIO and client adviser, is made at least quarterly. An annual review of each client portfolio, expectations and needs is made. In addition, should conditions or personnel change at the client or in Patterson a complete review of client needs and the existing portfolio(s) is made immediately. The client does not receive any report of these reviews.

**ITEM 14            CLIENT REFERRALS AND OTHER COMPENSATION**

The firm has no incentive to select or recommend any broker/dealer. No soft dollars are offered by the firm to clients. No fees or any type compensation is paid to Patterson & Associates from broker/dealers or funds. The firm has no intention of relying upon the safe harbor provisions of the Exchange Act of 1934 Section 28(e) for soft dollar use.

Also included in the Patterson Code of Ethics is the provision that no employee or member of their family may accept gifts or gratuities when there is an attempt to influence or reward the employee in connection with any business or investment transaction.

No other person provides benefits in connection with the firm services.

No one provides client referrals to the firm.

See also Item 12.

**ITEM 15            CUSTODY**

Not applicable. Patterson & Associates never takes custody, nor directs custody, for clients.

**ITEM 16**            **INVESTMENT DISCRETION**

Patterson & Associates provides discretionary and non-discretionary management services to its clients. Where discretionary authority has been granted, Patterson manages the portfolio and makes investment decisions without consultation with the client that would involve determinations regarding which securities are bought and sold, the broker/dealer with whom orders for the purchase or sale of securities are placed for execution. In some instances, Patterson's discretionary authority in making these determinations may be limited by conditions imposed by the client in their investment guidelines, cash flow needs or objectives or instructions otherwise provided to Patterson.

If discretionary authority is granted by the client it is documented in the advisory contract.

See also Items 4, 11, and 12.

**ITEM 17**            **VOTING CLIENT SECURITIES**

Not applicable in fixed income and money market instruments.

**ITEM 18**            **FINANCIAL INFORMATION**

Patterson & Associates is not subject to any the financial condition that would likely impair its ability to meet contractual commitments.



# Monthly Investment Report

December 31, 2012

PATTERSON & ASSOCIATES



INVESTMENT PROFESSIONALS

# Despite Cliff Deal: Nothing Has Been Fixed



- The months-long fiscal wrangling to address the long-term financial problems of the US has kept the markets on edge. With a bill passed now we will pause but only temporarily because all we did was kick the can down the street.
- The Band-Aid Bill to avoid the "cliff" stopped tax hikes and permanently ends the ATM expansions. But the same problems exist. No new spending cuts were addressed and postponed various planned cuts.
- Immediate reactions should be market favorable but will end with debt ceiling negotiations in 60 days. That discussion is much more serious. Treasury has put in place various fixes to keep the Government issuing and functioning but only through March 27 when sequester takes effect.
- Economists project that this new plan will shave 1% off growth in 2013.

Anatomy of a Fiscal Cliff:	
US Tax revenue:	\$ 2,170,000,000,000
Federal Budget:	\$ 3,820,000,000,000
New Debt:	\$ 1,650,000,000,000
National Debt:	\$14,271,000,000,000
Recent budget cuts:	\$ 38,500,000,000

Let's pretend this is a household budget:

Annual family income:	\$ 21,700
Money family spent:	\$ 38,200
New Credit Card debt:	\$ 16,500
Credit card balance:	\$ 142,710
Total new budget cuts:	\$ 38

Got it? The market does.

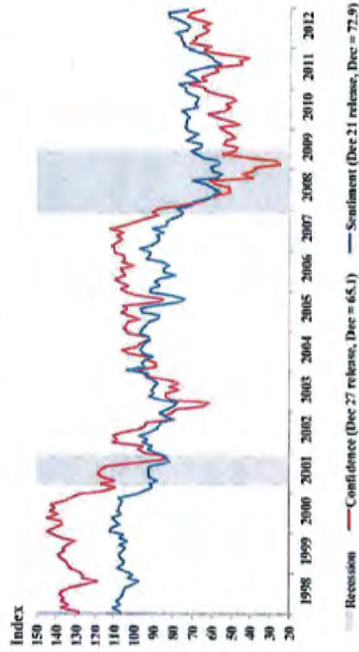
Source: Morgan Stanley

# Was it a Bungee Jump over the Cliff?

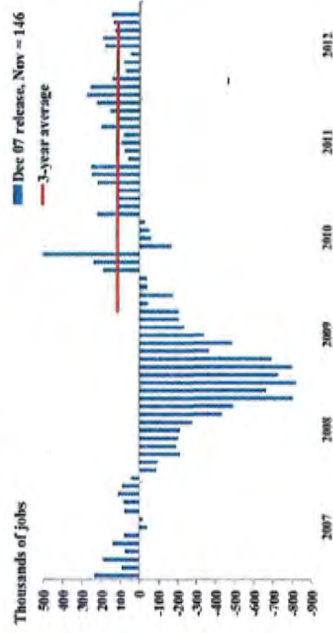
- The discussions for tax changes predate the coming contentious discussions on the debt ceiling and expenditures.
- The problems of 2012 will persist: a very fragile economy, anemic job growth and a decimated household balance sheet.
- GDP for 4Q should be around 3.0% with increases in pockets of construction, durable goods orders and personal income. The lower oil prices should improve shipments for all manufacturing.
- However estimates for 1Q'13 range closer to 1%. Christmas sales were sluggish (the worst since 2007) and can lead to inventory overload which then slows production in 1Q.
- Remember: Unlimited FDIC insurance for *non-interest bearing accounts* ended 1/1/13. Be sure the appropriate collateral is in place for your deposits.



## Consumer Confidence/Sentiment



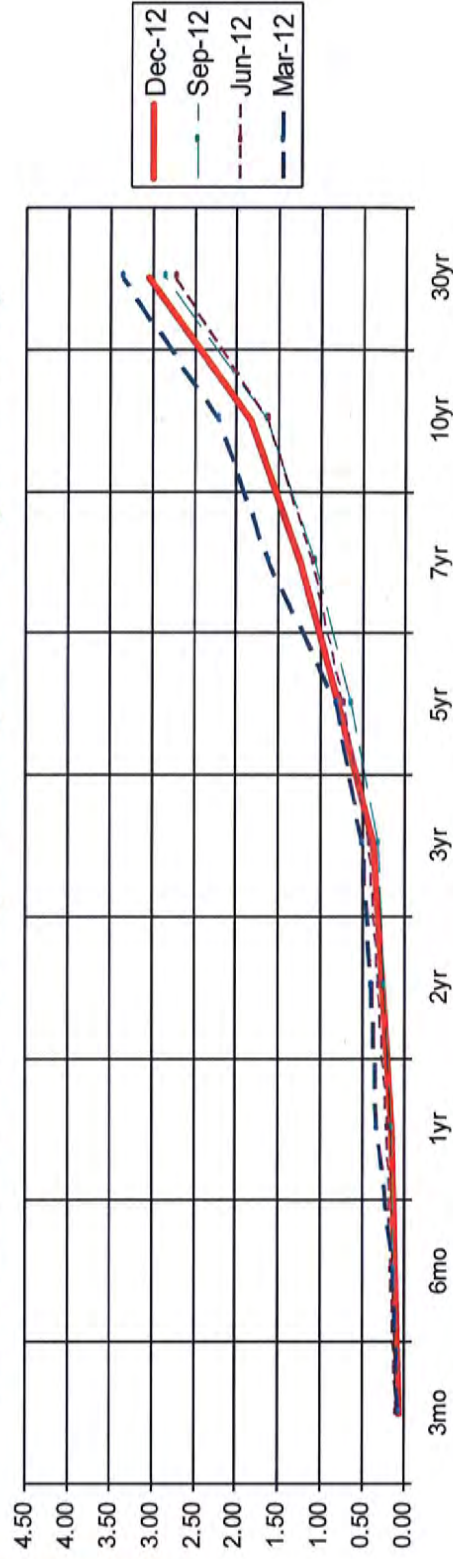
## Change in Nonfarm Employment



# The Fed Stands Its Ground

- Market volatility will undoubtedly continue for several months. The very short end of the curve (to 1-year) has stayed low and moved even slightly lower over the past quarter. And despite Fed purchases, the longer end has moved slightly higher on cliff relief. Stocks are simply happy that we have a deal regardless of what the deal represents.
- The actions of the Federal Reserve and the FOMC position to keep rates low until potentially 2015 continues to distort the price of bonds. The rates are artificial and unfortunately give politicians the argument that there is no debt problem because we can keep borrowing at these low rates.
- Recognition during debt ceiling discussions could push yields higher but only temporarily. Treasury has taken "extraordinary measures" (Geithner) steps to delay insolvency for two months on notational Treasury investments for such areas as Federal workers 401-ks.
- The most ominous deadline comes in March when Congress faces a sequestration, a government default and a government shutdown. Focusing on that and Treasury antics will keep rates low.

Fed confirms it will continue to quantitatively ease as long as necessary.



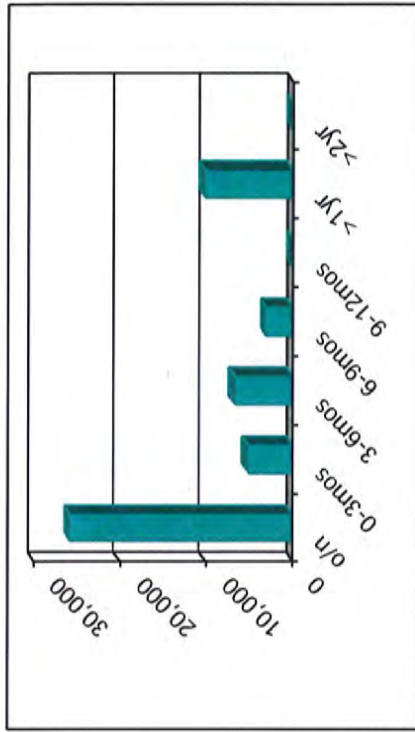
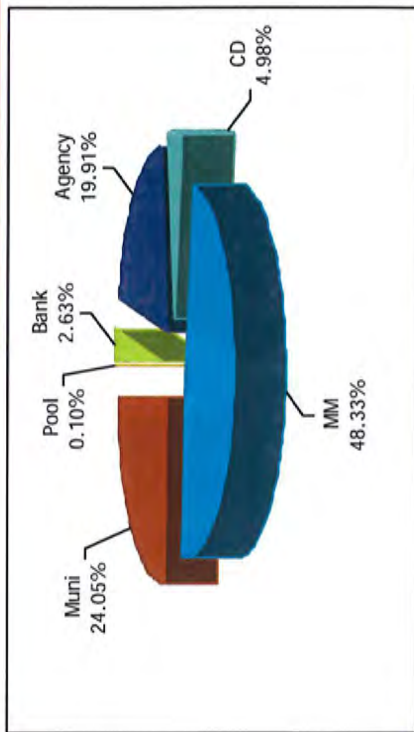
End of Month Rates - Full Yield Curve - Fed Funds to 30yr

# Pooled Cash Portfolio

As of December 31, 2012



- P&A constantly reviews your portfolio for optimal asset allocation and a controlled average maturity because a diversified portfolio can better adjust to volatile market conditions.
- The extremely low short-term rates make diversification difficult and they are reasonably expected to continue now at least through 2012.
- Banks remain *uninterested* in accepting new deposits and CD rates are unusually low.
- Municipal bonds are adding value in many portfolios adding a safe alternative.
- Portfolios are cash heavy as we struggle to find value with a flat yield curve which provides little value under six months. This should start to change in 2013.
- The non-cash portion of your portfolio is yielding 0.56%.

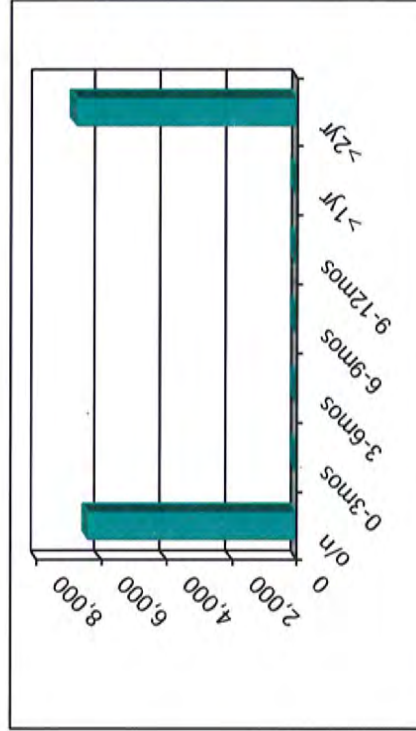
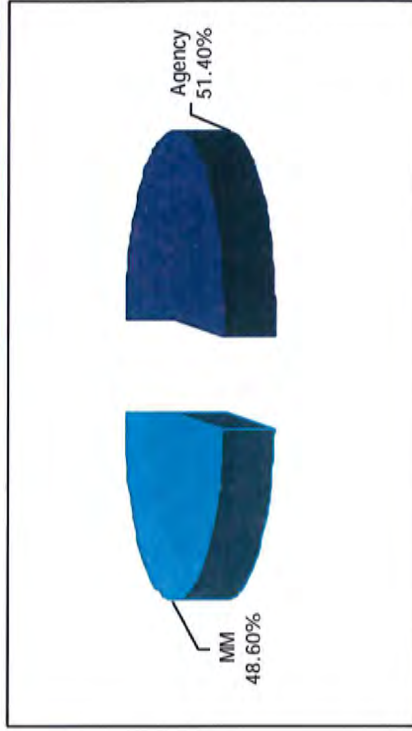


# Pooled Cash-Res Portfolio

As of December 31, 2012



- P&A constantly reviews your portfolio for optimal asset allocation and a controlled average maturity because a diversified portfolio can better adjust to volatile market conditions.
- The extremely low short-term rates make diversification difficult and they are reasonably expected to continue now at least through 2012.
- Banks remain *uninterested* in accepting new deposits and CD rates are unusually low.
- Municipal bonds are adding value in many portfolios adding a safe alternative.
- Portfolios are cash heavy as we struggle to find value with a flat yield curve which provides little value under six months. This should start to change in 2013.
- The non-cash portion of your portfolio is yielding 0.717%.

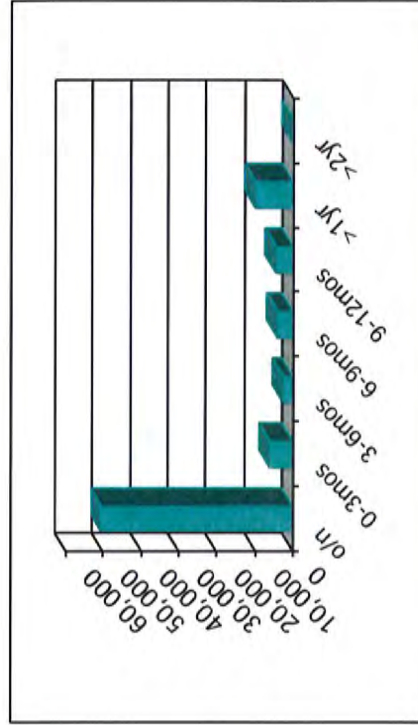
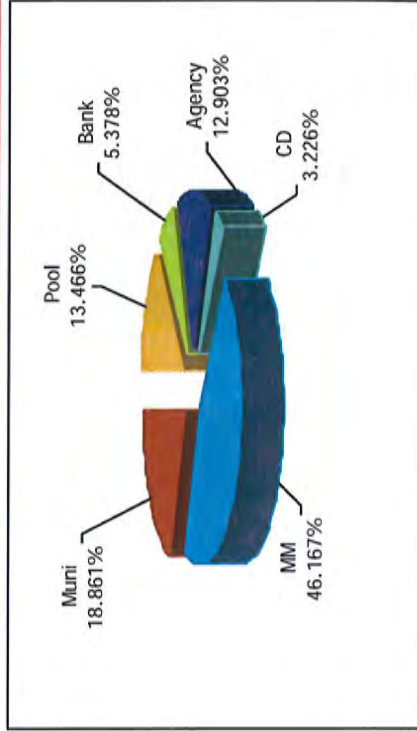


# Enterprise Portfolio

As of December 31, 2012



- P&A constantly reviews your portfolio for optimal asset allocation and a controlled average maturity because a diversified portfolio can better adjust to volatile market conditions.
- The extremely low short-term rates make diversification difficult and they are reasonably expected to continue now at least through 2012.
- Banks remain *uninterested* in accepting new deposits and CD rates are unusually low.
- Municipal bonds are adding value in many portfolios adding a safe alternative.
- Portfolios are cash heavy as we struggle to find value with a flat yield curve which provides little value under six months. This should start to change in 2013.
- The non-cash portion of your portfolio is yielding 0.50%.

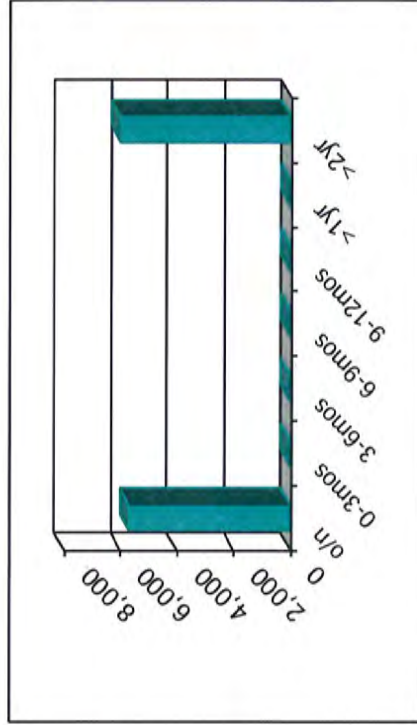
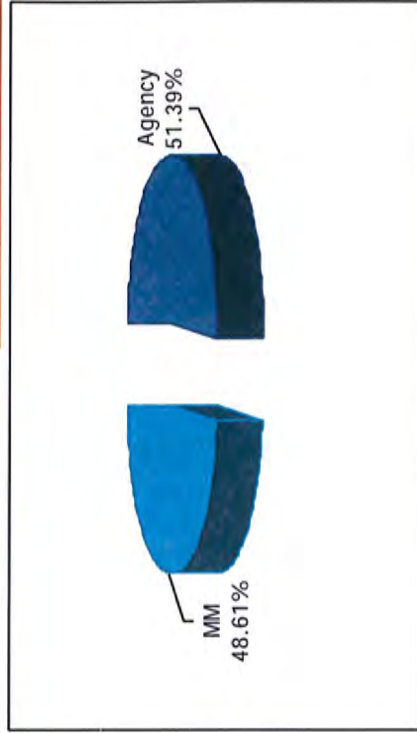


# Enterprise-Res Portfolio

As of December 31, 2012



- P&A constantly reviews your portfolio for optimal asset allocation and a controlled average maturity because a diversified portfolio can better adjust to volatile market conditions.
- The extremely low short-term rates make diversification difficult and they are reasonably expected to continue now at least through 2012.
- Banks remain *uninterested* in accepting new deposits and CD rates are unusually low.
- Municipal bonds are adding value in many portfolios adding a safe alternative.
- Portfolios are cash heavy as we struggle to find value with a flat yield curve which provides little value under six months. This should start to change in 2013.
- The non-cash portion of your portfolio is yielding 0.729%.





INVESTMENT PROFESSIONALS

Patterson & Associates  
301 Congress Ave  
Suite 570  
Austin, TX 78701

**Portfolio Management**  
**Portfolio Summary**  
**December 31, 2012**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 365 Equiv.
CD's - Interest at Maturity	5,000,000.00	5,000,000.00	5,000,000.00	3.28	365	80	0.750
TexasTerm Daily	410,384.39	410,384.39	410,384.39	0.27	1	1	0.130
Federal Agency Coupon Securities	32,750,000.00	32,766,394.00	32,747,328.13	21.47	867	631	0.544
Municipal Bonds	26,500,000.00	26,696,665.00	26,699,424.57	17.50	335	170	0.564
TexSTAR	8,570,187.43	8,570,187.43	8,570,187.43	5.62	1	1	0.165
Lone Star Pool	1,001,439.07	1,001,439.07	1,001,439.07	0.66	1	1	0.150
Wells Fargo	77,601,961.54	77,601,961.54	77,601,961.54	50.87	1	1	0.130
TexPool	506,732.59	506,732.59	506,732.59	0.33	1	1	0.151
<b>Investments</b>	<b>152,340,705.02</b>	<b>152,555,664.02</b>	<b>152,537,467.72</b>	<b>100.00%</b>	<b>257</b>	<b>168</b>	<b>0.317</b>
<b>Cash and Accrued Interest</b>							
Accrued Interest at Purchase		29,919.44	29,919.44				
Subtotal		29,919.44	29,919.44				
<b>Total Cash and Investments</b>	<b>152,340,705.02</b>	<b>152,585,573.46</b>	<b>152,567,377.16</b>		<b>257</b>	<b>168</b>	<b>0.317</b>
<b>Total Earnings</b>	<b>December 31</b>	<b>Month Ending</b>	<b>Fiscal Year To Date</b>				
Current Year		40,900.90	121,547.26				

The following reports are submitted in accordance with the Public Funds Investment Act (Texas Gov't Code 2266). The reports also offer supplemental information not required by the Act in order to fully inform the governing body of the [redacted] of the position and activity within the City's portfolio of investments. The reports include a management summary overview, a detailed inventory report for the end of the period, a transaction report, as well as graphic representations of the portfolio to provide full disclosure to the governing body.

Reporting period 12/01/2012-12/31/2012  
Data Updated [redacted]: 01/15/2013 16:38  
Run Date: 01/15/2013 - 16:38

Portfolio [redacted] AP  
PM (PPE-PM1) 7.3.0  
Report Ver. 7.3.2b



Patterson & Associates  
301 Congress Ave  
Suite 570  
Austin, TX 78701

**Summary by Type**  
**December 31, 2012**  
**Grouped by Fund**

Security Type	Number of Investments	Par Value	Book Value	% of Portfolio	Average YTM 365	Average Days to Maturity
<b>Fund: Enterprise</b>						
Federal Agency Coupon Securities	3	10,000,000.00	10,000,000.00	6.56	0.430	508
CD's - Interest at Maturity	1	2,500,000.00	2,500,000.00	1.64	0.750	80
Lone Star Pool	1	1,001,439.07	1,001,439.07	0.66	0.150	1
Municipal Bonds	5	14,500,000.00	14,618,197.92	9.58	0.509	201
TexPool	1	501,696.27	501,696.27	0.33	0.151	1
TexSTAR	1	8,528,896.99	8,528,896.99	5.59	0.165	1
TexasTerm Daily	1	405,297.96	405,297.96	0.27	0.130	1
Wells Fargo	2	39,948,865.97	39,948,865.97	26.19	0.125	1
<b>Subtotal</b>	<b>15</b>	<b>77,385,156.26</b>	<b>77,504,394.10</b>	<b>50.82</b>	<b>0.262</b>	<b>105</b>
<b>Fund: Enterprise - Reserves</b>						
Federal Agency Coupon Securities	3	6,000,000.00	5,998,853.42	3.93	0.729	825
Wells Fargo	1	5,674,038.26	5,674,038.26	3.72	0.140	1
<b>Subtotal</b>	<b>4</b>	<b>11,674,038.26</b>	<b>11,672,891.68</b>	<b>7.65</b>	<b>0.443</b>	<b>425</b>
<b>Fund: Pooled Cash</b>						
Municipal Bonds	4	12,000,000.00	12,081,236.65	7.92	0.631	133
Federal Agency Coupon Securities	3	10,000,000.00	10,000,000.00	6.56	0.430	508
Wells Fargo	2	25,598,497.81	25,598,497.81	16.78	0.133	1
CD's - Interest at Maturity	1	2,500,000.00	2,500,000.00	1.64	0.750	80
TexPool	1	5,036.32	5,036.32	0.00	0.151	1
TexSTAR	1	41,290.44	41,290.44	0.03	0.165	1
TexasTerm Daily	1	5,086.43	5,086.43	0.00	0.130	1
<b>Subtotal</b>	<b>13</b>	<b>50,149,311.00</b>	<b>50,231,137.65</b>	<b>32.93</b>	<b>0.343</b>	<b>137</b>
<b>Fund: Pooled Cash - Reserves</b>						
Federal Agency Coupon Securities	3	6,750,000.00	6,748,474.71	4.42	0.717	828
Wells Fargo	1	6,380,559.50	6,380,559.50	4.18	0.140	1

Portfolio: AP  
ST (PRF\_ST) 7.2.0  
Report Ver. 7.3.3b

Summary by Type  
 December 31, 2012  
 Grouped by Fund

Security Type	Number of Investments	Par Value	Book Value	% of Portfolio	Average YTM 365	Average Days to Maturity
Subtotal	4	13,130,559.50	13,129,034.21	8.60	0.437	426
Total and Average	36	152,340,705.02	152,537,457.72	100.00	0.317	168



PATERSON & ASSOCIATES  
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Suite 570  
Austin, TX 78701

**Fund ENT - Enterprise  
Investments by Fund  
December 31, 2012**

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 300	YTM 365	Maturity Date	Days To Maturity
<b>CD's - Interest at Maturity</b>											
1500589518	316	IBC Bank CD	03/22/2012	2,500,000.00	2,500,000.00	2,500,000.00	0.759	0.739	0.750	03/22/2013	80
		<b>Subtotal and Average</b>		<b>2,500,000.00</b>	<b>2,500,000.00</b>	<b>2,500,000.00</b>	<b>0.740</b>	<b>0.739</b>			<b>80</b>
<b>TexasTerm Daily</b>											
	254	TexasTerm Daily	10/01/2012	405,297.95	405,297.95	405,297.95	0.130	0.128	0.130		1
		<b>Subtotal and Average</b>		<b>405,297.95</b>	<b>405,297.95</b>	<b>405,297.95</b>	<b>0.130</b>	<b>0.128</b>	<b>0.130</b>		<b>1</b>
<b>Federal Agency Coupon Securities</b>											
315388E20	335	FHLB Call Note	08/31/2012	2,000,000.00	2,000,000.00	2,000,548.00	0.360	0.355	0.359	08/20/2014	596
315388E80	336	FHLB Call Note	08/31/2012	3,000,000.00	3,000,000.00	3,000,822.00	0.360	0.355	0.359	08/20/2014	596
3134G3LZ1	313	FHLMC Call Note	02/27/2012	5,000,000.00	5,000,000.00	5,002,140.00	0.500	0.493	0.499	02/21/2014	416
		<b>Subtotal and Average</b>		<b>10,000,000.00</b>	<b>10,000,000.00</b>	<b>10,003,510.00</b>	<b>0.434</b>	<b>0.429</b>			<b>596</b>
<b>Municipal Bonds</b>											
090491UY5	309	Elmhampton NY BAN	02/02/2012	2,501,554.32	2,500,000.00	2,501,750.00	1.250	0.493	0.500	02/01/2013	31
17655GJL3	338	Chenais Property Ins Corp FL	08/14/2012	2,521,845.14	2,500,000.00	2,521,300.00	2.500	0.445	0.451	08/01/2013	151
63165THEB	325	Nassau County NY	06/12/2012	1,002,912.89	1,000,000.00	1,003,690.00	2.000	0.789	0.800	03/29/2013	87
692168HJ6	330	Oyster Bay NY	08/10/2012	4,057,785.18	4,000,000.00	4,059,520.00	3.000	0.591	0.600	08/09/2013	220
917763SP0	341	Ulrica NY School District	11/30/2012	4,534,700.39	4,500,000.00	4,522,455.00	1.250	0.394	0.400	11/28/2013	332
		<b>Subtotal and Average</b>		<b>14,618,197.92</b>	<b>14,500,000.00</b>	<b>14,608,515.00</b>	<b>0.502</b>	<b>0.509</b>			<b>291</b>
<b>Lone Star Pool</b>											
105300	394	Lone Star Pool	11/23/2011	1,001,439.07	1,001,439.07	1,001,439.07	0.150	0.147	0.150		1
		<b>Subtotal and Average</b>		<b>1,001,439.07</b>	<b>1,001,439.07</b>	<b>1,001,439.07</b>	<b>0.148</b>	<b>0.149</b>			<b>1</b>
<b>TexSTAR</b>											
999999991	8002	TexSTAR	10/01/2008	8,528,896.99	8,528,896.99	8,528,896.99	0.165	0.162	0.164		1
		<b>Subtotal and Average</b>		<b>8,528,896.99</b>	<b>8,528,896.99</b>	<b>8,528,896.99</b>	<b>0.162</b>	<b>0.162</b>	<b>0.164</b>		<b>1</b>
<b>Wells Fargo</b>											
28415164	257	Fidelity Prime MM Inv (FIPXX)	03/31/2011	35,780,828.85	35,780,828.85	35,780,828.85	0.140	0.138	0.140		1
99992	231	Wells Fargo - Choice IV	08/31/2010	4,168,037.12	4,168,037.12	4,168,037.12					1

Portfolio AP  
FIPRF-FI 7.1.1  
Report Ver. 7.3.2b

**Fund ENT - Enterprise  
Investments by Fund  
December 31, 2012**

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
			Subtotal and Average	39,948,865.97	39,948,865.97	39,948,865.97		0.124	0.125		1
TexPool											
1052200002	274	TexPool	04/11/2011	501,696.27	501,696.27	501,696.27	0.151	0.148	0.150		1
			Subtotal and Average	501,696.27	501,696.27	501,696.27		0.149	0.151		1
			Total Investments and Average	77,504,384.18	77,385,196.36	77,498,621.36		0.253	0.262		106

Portfolio AP  
RIFRF\_F0 7.1.1  
Report Ver. 7.2.3b

Fund ENT-RES - Enterprise - Reserves  
 Investments by Fund  
 December 31, 2012

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
<b>Federal Agency Coupon Securities</b>											
313403HA1	306	FHLMC Coll Note	01/23/2012	3,000,000.00	3,000,000.00	3,000,872.00	0.675	0.853	0.875	01/23/2015	752
3136GDFL0	319	FNMA Coll Note	04/03/2012	1,998,980.89	2,000,000.00	2,002,560.00	0.600	0.613	0.621	04/03/2015	849
3135GDFB3	340	FNMA Coll Note	09/25/2012	999,853.33	1,000,000.00	1,001,670.00	0.500	0.498	0.505	09/25/2015	997
		<b>Subtotal and Average</b>		<b>5,998,834.22</b>	<b>6,000,000.00</b>	<b>6,005,202.00</b>		<b>0.719</b>	<b>0.739</b>		<b>825</b>
<b>Wells Fargo</b>											
28871945	265	Fidelity Prime MM Inst (FIP00)	03/31/2011	5,674,038.26	5,674,038.26	5,674,038.26	0.140	0.138	0.140		1
		<b>Subtotal and Average</b>		<b>5,674,038.26</b>	<b>5,674,038.26</b>	<b>5,674,038.26</b>		<b>0.138</b>	<b>0.140</b>		<b>1</b>
		<b>Total Investments and Average</b>		<b>11,672,872.48</b>	<b>11,674,038.26</b>	<b>11,679,240.26</b>		<b>0.437</b>	<b>0.443</b>		<b>424</b>

Portfolio AP  
 FIPRE\_01/11  
 Report Ver. 7.3.06

**Fund PC - Pooled Cash  
Investments by Fund  
December 31, 2012**

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
<b>CD's - Interest at Maturity</b>											
160958986	315	IBC Bank CD	03/22/2012	2,500,000.00	2,500,000.00	2,500,000.00	0.750	0.739	0.750	03/22/2013	80
		<b>Subtotal and Average</b>		<b>2,500,000.00</b>	<b>2,500,000.00</b>	<b>2,500,000.00</b>	<b>0.740</b>	<b>0.740</b>	<b>0.750</b>		<b>80</b>
<b>TexasTerm Daily</b>											
1216-02	253	TexasTerm Daily	10/01/2012	5,086.43	5,086.43	5,086.43	0.130	0.128	0.130		1
		<b>Subtotal and Average</b>		<b>5,086.43</b>	<b>5,086.43</b>	<b>5,086.43</b>	<b>0.128</b>	<b>0.128</b>	<b>0.130</b>		<b>1</b>
<b>Federal Agency Coupon Securities</b>											
313380E60	333	FHLB Call Note	06/31/2012	2,000,000.00	2,000,000.00	2,000,548.00	0.350	0.355	0.359	08/20/2014	596
313380E60	334	FHLB Call Note	06/31/2012	3,000,000.00	3,000,000.00	3,000,822.00	0.360	0.365	0.359	08/20/2014	596
3134GSLZ1	312	FHLMC Call Note	02/27/2012	5,000,000.00	5,000,000.00	5,002,140.00	0.500	0.493	0.499	02/21/2014	416
		<b>Subtotal and Average</b>		<b>10,000,000.00</b>	<b>10,000,000.00</b>	<b>10,003,510.00</b>	<b>0.424</b>	<b>0.424</b>	<b>0.430</b>		<b>596</b>
<b>Municipal Bonds</b>											
090491UY5	306	Binghamton NY BAN	02/02/2012	2,591,554.32	2,590,000.00	2,591,750.00	1.250	0.493	0.500	02/01/2013	31
176552GU3	337	Citizens Property Ins Corp FL	09/14/2012	2,521,243.14	2,521,500.00	2,521,500.00	2.500	0.445	0.451	06/01/2013	151
63165THF5	324	Nassau County NY	06/12/2012	4,016,080.30	4,000,000.00	4,019,760.00	2.000	0.837	0.848	04/30/2013	119
692162HJ5	329	Oyster Bay NY	06/10/2012	3,043,338.89	3,000,000.00	3,044,640.00	3.000	0.591	0.600	06/09/2013	220
		<b>Subtotal and Average</b>		<b>12,081,226.65</b>	<b>12,000,000.00</b>	<b>12,087,650.00</b>	<b>0.622</b>	<b>0.622</b>	<b>0.631</b>		<b>132</b>
<b>TexSTAR</b>											
999999991	8001	TexSTAR	10/01/2006	41,250.44	41,250.44	41,250.44	0.165	0.162	0.164		1
		<b>Subtotal and Average</b>		<b>41,250.44</b>	<b>41,250.44</b>	<b>41,250.44</b>	<b>0.162</b>	<b>0.162</b>	<b>0.165</b>		<b>1</b>
<b>Wells Fargo</b>											
26414514	266	Fidelity Prime MM Inst (FEPXX)	03/31/2011	24,275,169.69	24,275,169.69	24,275,169.69	0.140	0.138	0.140		1
9991	230	Wells Fargo - Choice IV	08/31/2010	1,323,328.12	1,323,328.12	1,323,328.12					1
		<b>Subtotal and Average</b>		<b>25,598,497.81</b>	<b>25,598,497.81</b>	<b>25,598,497.81</b>	<b>0.131</b>	<b>0.131</b>	<b>0.133</b>		<b>1</b>
<b>TexPool</b>											
1032200001	273	TexPool	04/11/2011	5,036.32	5,036.32	5,036.32	0.151	0.148	0.150		1
		<b>Subtotal and Average</b>		<b>5,036.32</b>	<b>5,036.32</b>	<b>5,036.32</b>	<b>0.149</b>	<b>0.149</b>	<b>0.151</b>		<b>1</b>

Fund PC - Pooled Cash  
 Investments by Fund  
 December 31, 2012

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
				50,231,137.65	60,140,811.00	50,241,071.00		0.338	0.343		137
Total Investments and Average											

Portfolio:   
 F (PRR, FI) 7.1.1  
 Report Ver. 7.3.3b

**Fund PC-RES - Pooled Cash - Reserves**  
**Investments by Fund**  
**December 31, 2012**

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
<b>Federal Agency Coupon Securities</b>											
3134G3HA1	305	FHLMC Call Note	01/23/2012	3,000,000.00	3,000,000.00	3,000,972.00	0.875	0.863	0.875	01/23/2015	752
3136GRFLJ	318	FAMA Call Note	04/30/2012	2,748,611.38	2,750,000.00	2,753,520.00	0.600	0.613	0.621	04/30/2015	849
313509PB3	339	FAMA Call Note	08/25/2012	999,853.33	1,000,000.00	1,001,670.00	0.500	0.498	0.505	09/25/2015	997
		<b>Subtotal and Average</b>		<b>6,748,474.71</b>	<b>6,750,000.00</b>	<b>6,756,162.00</b>		<b>0.707</b>	<b>0.717</b>		<b>827</b>
<b>Wells Fargo</b>											
26871903	264	Fidelity Prime MM Inst (FIPXX)	03/31/2011	6,350,559.50	6,350,559.50	6,350,559.50	0.140	0.135	0.140		1
		<b>Subtotal and Average</b>		<b>6,350,559.50</b>	<b>6,350,559.50</b>	<b>6,350,559.50</b>		<b>0.135</b>	<b>0.140</b>		<b>1</b>
		<b>Total Investments and Average</b>		<b>13,129,034.21</b>	<b>13,130,559.50</b>	<b>13,136,721.50</b>		<b>0.431</b>	<b>0.437</b>		<b>425</b>

Portfolio AP  
 FI (P)R-FI 7.1.1  
 Report Ver. 7.2.3b



**Interest Earnings**  
**Sorted by Fund - Fund**  
**December 1, 2012 - December 31, 2012**  
**Yield on Average Book Value**

CUSIP	Investment #	Fund	Security Type	Ending Par Value	Beginning Book Value	Average Book Value	Maturity Date	Current Annualized Rate	Yield	Interest Earned	Amortization/ Accretion	Adjusted Interest Earnings
<b>Fund: Enterprise</b>												
999999991	8002	ENT	RRP	8,527,704.46	8,527,704.46	8,527,704.53		0.165	0.165	1,192.53	0.00	1,192.53
313300E60	335	ENT	FAC	2,000,000.00	2,000,000.00	2,000,000.00	08/20/2014	0.360	0.353	600.00	0.00	600.00
313300E60	336	ENT	FAC	3,000,000.00	3,000,000.00	3,000,000.00	08/20/2014	0.360	0.353	900.00	0.00	900.00
3134G3L21	313	ENT	FAC	5,000,000.00	5,000,000.00	5,000,000.00	02/21/2014	0.500	0.491	2,083.34	0.00	2,083.34
1219-01	254	ENT	LA1	405,297.95	405,297.95	405,298.01		0.130	0.130	44.74	0.00	44.74
28415H4	267	ENT	RR4	35,780,828.85	35,776,483.74	35,776,623.90		0.140	0.143	4,345.11	0.00	4,345.11
165200002	274	ENT	RR5	501,696.27	501,692.11	501,634.18		0.151	0.151	64.16	0.00	64.16
165200002	304	ENT	RR2	1,001,438.07	1,001,314.25	1,001,318.28		0.150	0.147	124.82	0.00	124.82
090491L1Y5	309	ENT	MC1	2,500,000.00	2,503,105.64	2,502,281.34	02/01/2013	1.250	0.494	2,004.17	-1,254.32	1,049.85
150038918	316	ENT	BCD	2,500,000.00	2,500,000.00	2,500,000.00	02/22/2013	0.750	0.750	1,592.46	0.00	1,592.46
631657H29	325	ENT	MC1	1,000,000.00	1,003,605.92	1,003,377.37	03/29/2013	2.500	0.790	1,666.67	-893.03	673.64
917763SP0	341	ENT	MC1	4,500,000.00	4,537,874.21	4,536,183.33	11/29/2013	1.250	0.393	4,687.50	-3,173.82	1,513.68
692160P46	330	ENT	MC1	4,000,000.00	4,095,737.27	4,061,504.71	08/05/2013	3.000	0.594	10,000.00	-7,392.09	2,607.91
176553GL3	338	ENT	MC1	2,500,000.00	2,525,494.16	2,523,232.58	05/01/2013	2.500	0.448	5,209.33	-4,249.02	959.31
			<b>Subtotal</b>	<b>73,218,193.14</b>	<b>73,348,607.98</b>	<b>73,339,193.63</b>			<b>0.276</b>	<b>35,113.83</b>	<b>-17,932.26</b>	<b>17,191.55</b>
<b>Fund: Enterprise - Reserves</b>												
313300E63	340	ENT-RES	FAC	1,000,000.00	999,659.17	999,661.38	09/25/2015	0.500	0.496	416.66	4.16	420.82
3136GNFLD	319	ENT-RES	FAC	2,000,000.00	1,998,653.96	1,998,373.16	04/30/2015	0.600	0.610	1,000.00	36.11	1,036.11
3134G3HA1	306	ENT-RES	FAC	3,000,000.00	3,000,000.00	3,000,000.00	01/20/2015	0.375	0.859	2,167.50	0.00	2,167.50
28871945	295	ENT-RES	RR4	5,674,038.26	5,673,348.22	5,673,371.45		0.140	0.143	689.04	0.00	689.04
			<b>Subtotal</b>	<b>11,674,038.26</b>	<b>11,672,165.37</b>	<b>11,672,205.99</b>			<b>0.437</b>	<b>4,293.20</b>	<b>40.27</b>	<b>4,333.47</b>
<b>Fund: Pooled Cash</b>												
999999991	8001	PC	RRP	41,290.44	41,284.67	41,284.86		0.165	0.165	5.77	0.00	5.77
313300E60	333	PC	FAC	2,000,000.00	2,000,000.00	2,000,000.00	08/20/2014	0.360	0.353	600.00	0.00	600.00
313300E60	334	PC	FAC	3,000,000.00	3,000,000.00	3,000,000.00	08/20/2014	0.360	0.353	900.00	0.00	900.00
3134G3L21	312	PC	FAC	5,000,000.00	5,000,000.00	5,000,000.00	02/21/2014	0.500	0.491	2,083.34	0.00	2,083.34
1219-02	253	PC	LA1	5,686.43	5,686.87	5,685.90		0.130	0.130	0.56	0.00	0.56

Portfolio: AP  
E (PRR) 17.2.0  
Report Ver. 1.2.3c

Interest Earnings  
December 1, 2012 - December 31, 2012

CUSIP	Investment #	Fund	Security Type	Ending Par Value	Beginning Book Value	Average Book Value	Maturity Date	Current Annualized Rate	Yield	Interest Earned	Amortization/ Accretion	Adjusted Interest Earnings
<b>Fund: Pooled Cash</b>												
28414514	266	PC	RR4	24,275,189.69	25,472,192.35	24,504,586.46		0.140	0.143	2,977.34	0.00	2,977.34
1062200001	273	PC	RR6	5,035.32	5,035.70	5,035.72		0.151	0.145	0.62	0.00	0.62
090461UY5	308	PC	MC1	2,600,000.00	2,503,105.64	2,502,281.34	02/01/2013	1.250	0.454	2,604.17	-1,554.32	1,049.85
1500588893	315	PC	SCD	2,500,000.00	2,500,000.00	2,500,000.00	03/22/2013	0.750	0.750	1,592.46	0.00	1,592.46
631657HE5	324	PC	MC1	4,000,000.00	4,018,892.08	4,016,867.49	04/30/2013	2.000	0.839	6,956.65	-3,803.78	2,862.88
692166HL6	329	PC	MC1	3,000,000.00	3,049,302.95	3,046,138.53	08/09/2013	3.000	0.594	7,500.00	-5,864.06	1,535.94
176553GU3	337	PC	MC1	2,600,000.00	2,565,664.16	2,573,232.58	06/10/2013	2.500	0.448	5,208.33	-4,349.02	959.31
			<b>Subtotal</b>	<b>48,825,832.88</b>	<b>50,120,956.42</b>	<b>49,144,462.83</b>			<b>0.349</b>	<b>30,139.25</b>	<b>-15,871.18</b>	<b>14,568.07</b>
<b>Fund: Pooled Cash - Reserves</b>												
3136GFU0	318	PC-RES	FAC	2,750,000.00	2,746,561.72	2,748,588.10	04/09/2015	0.600	0.610	1,375.00	49.66	1,424.66
3135G0P83	339	PC-RES	FAC	1,000,000.00	999,859.17	999,861.38	09/25/2015	0.500	0.496	416.66	4.16	420.82
3134G3HA1	305	PC-RES	FAC	3,000,000.00	3,000,000.00	3,000,000.00	01/23/2015	0.875	0.859	2,187.50	0.00	2,187.50
28871803	264	PC-RES	RR4	6,380,559.50	5,379,784.67	5,379,809.65		0.140	0.143	774.83	0.00	774.83
			<b>Subtotal</b>	<b>13,130,559.50</b>	<b>13,126,205.66</b>	<b>13,128,259.15</b>			<b>0.431</b>	<b>4,753.99</b>	<b>53.82</b>	<b>4,807.81</b>
			<b>Total</b>	<b>146,249,339.78</b>	<b>148,269,272.53</b>	<b>147,264,687.85</b>			<b>0.327</b>	<b>74,308.37</b>	<b>-33,399.37</b>	<b>40,960.90</b>

Portfolio AP  
RE (F07\_RE) 72.0  
Report Ver. 7.2.3b



Patterson & Associates  
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Suite 570  
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**Amortization Schedule**  
December 1, 2012 - December 31, 2012  
Sorted By Fund - Fund

Investment#	Fund	Maturity Date	Beginning Par Value	Current Rate	Purchase Principal	Original Premium or Discount	Ending Book Value	Amounts Amortized And Unamortized As of 12/31/2012	Amount Amortized This Period	Amount Amortized Through 12/31/2012	Amount Unamortized Through 12/31/2012
<b>Enterprise</b>											
309	ENT	02/01/2013	2,500,000.00	1.250	2,518,600.00	18,600.00	2,501,554.32	-15,491.36	-1,554.32	-17,045.68	1,554.32
	Binghamton NY BAN						3,108.64				
338	ENT	06/01/2013	2,500,000.00	2.500	2,536,400.00	36,400.00	2,521,245.14	-10,905.84	-4,249.02	-15,154.86	21,245.14
	Citizens Property Ins Corp FL						25,484.16				
325	ENT	03/29/2013	1,000,000.00	2.000	1,009,500.00	9,500.00	1,002,912.89	-5,584.08	-993.03	-6,587.11	2,912.89
	Nassau County NY						3,905.92				
330	ENT	08/08/2013	4,000,000.00	3.000	4,095,160.00	95,160.00	4,057,785.18	-29,422.73	-7,952.09	-37,374.82	57,785.18
	Oyster Bay NY						65,737.27				
341	ENT	11/29/2013	4,500,000.00	1.250	4,537,980.00	37,980.00	4,534,700.39	-105.79	-3,173.82	-3,279.61	34,700.39
	Ulica NY School District						37,874.21				
			<b>Subtotal</b>		<b>14,697,640.00</b>	<b>197,640.00</b>	<b>14,618,197.92</b>	<b>-61,619.80</b>	<b>-17,922.28</b>	<b>-79,642.08</b>	<b>118,197.92</b>
							<b>136,120.20</b>				
<b>Enterprise - Reserves</b>											
319	ENT-RES	04/30/2015	2,000,000.00	0.600	1,998,700.00	-1,300.00	1,998,990.09	253.98	36.11	290.09	-1,005.91
	FNMA Call Note						-1,046.02				
340	ENT-RES	09/25/2015	1,000,000.00	0.500	999,850.00	-150.00	999,863.33	9.17	4.16	13.33	-136.67
	FNMA Call Note						-140.83				
			<b>Subtotal</b>		<b>2,998,550.00</b>	<b>-4,850.00</b>	<b>2,998,853.42</b>	<b>263.15</b>	<b>40.27</b>	<b>303.42</b>	<b>-1,142.58</b>
							<b>-1,186.85</b>				
<b>Pooled Cash</b>											
308	PC	02/01/2013	2,500,000.00	1.250	2,518,600.00	18,600.00	2,501,554.32	-15,491.36	-1,554.32	-17,045.68	1,554.32
	Binghamton NY BAN						3,108.64				
337	PC	06/01/2013	2,500,000.00	2.500	2,536,400.00	36,400.00	2,521,245.14	-10,905.84	-4,249.02	-15,154.86	21,245.14
	Citizens Property Ins Corp FL						25,484.16				
324	PC	04/30/2013	4,000,000.00	2.000	4,040,320.00	40,320.00	4,015,088.30	-21,427.92	-3,803.78	-25,231.70	15,088.30
	Nassau County NY						18,892.08				
329	PC	08/09/2013	3,000,000.00	3.000	3,071,370.00	71,370.00	3,043,338.89	-22,067.05	-5,984.05	-28,051.11	43,338.89
	Oyster Bay NY						49,302.95				
			<b>Subtotal</b>		<b>12,166,690.00</b>	<b>166,690.00</b>	<b>12,081,226.65</b>	<b>-99,892.17</b>	<b>-15,571.18</b>	<b>-85,463.35</b>	<b>81,226.65</b>
							<b>99,797.83</b>				

Portfolio AP  
AS (PRF\_ASW) 7.2.1  
Report Ver. 7.3.3b

Amortization Schedule  
December 1, 2012 - December 31, 2012

Investment #	Fund	Maturity Date	Beginning Par Value	Purchase Principal	Original Premium or Discount	Ending Book Value	Amounts Amortized And Unamortized As of 12/31/2012	Amount Amortized This Period	Amount Amortized Through 12/31/2012	Amount Unamortized Through 12/31/2012
<b>Pooled Cash - Reserves</b>										
318	PC-RES	04/20/2015	2,750,000.00	2,748,212.50	-1,787.50	2,748,611.38	340.22	49.66	308.88	-1,388.62
	FNMA Call Note	04/20/2015	0.600				-1,428.28			
339	PC-RES	09/25/2015	1,000,000.00	998,850.00	-150.00	999,853.33	9.17	4.16	13.33	-136.67
	FNMA Call Note	09/25/2015	0.600				-140.93			
		<b>Subtotal</b>		<b>3,748,062.50</b>	<b>-1,937.50</b>	<b>3,748,474.71</b>	<b>358.39</b>	<b>53.82</b>	<b>412.21</b>	<b>-1,525.29</b>
		<b>Total</b>		<b>33,610,942.50</b>	<b>380,942.50</b>	<b>33,446,752.70</b>	<b>-130,780.43</b>	<b>-33,398.37</b>	<b>-164,189.80</b>	<b>186,752.70</b>
							<b>236,162.07</b>			

Portfolio AP  
AS (PSE, AS00) 7.2.1  
Report Ver. 1.3.2b



Patterson & Associates  
301 Congress Ave  
Suite 570  
Austin, TX 78701

## Projected Cashflow Report Sorted by Fund

For the Period January 1, 2013 - July 31, 2013

Projected Trans. Date	Investment #	Fund	Security ID	Transaction Type	Issuer	Par Value	Original Cost	Principal	Interest	Total
<b>Enterprise</b>										
02/01/2013	309	ENT	090491UY5	Maturity	Binghamton NY BAN	2,500,000.00	2,518,600.00	2,500,000.00	31,163.19	2,531,163.19
02/20/2013	335	ENT	313380E60	Interest	FHLB Call Note	0.00	0.00	0.00	3,600.00	3,600.00
02/20/2013	335	ENT	313380E60	Call	FHLB Call Note	2,000,000.00	2,000,000.00	2,000,000.00	0.00	2,000,000.00
02/20/2013	336	ENT	313380E60	Interest	FHLB Call Note	0.00	0.00	0.00	5,400.00	5,400.00
02/20/2013	336	ENT	313380E60	Call	FHLB Call Note	3,000,000.00	3,000,000.00	3,000,000.00	0.00	3,000,000.00
02/21/2013	313	ENT	3134G3LZ1	Interest	FHLJM Call Note	0.00	0.00	0.00	12,500.00	12,500.00
02/21/2013	313	ENT	3134G3LZ1	Call	FHLJM Call Note	5,000,000.00	5,000,000.00	5,000,000.00	0.00	5,000,000.00
03/22/2013	316	ENT	150058918	Maturity	IBC Bank CD	2,500,000.00	2,500,000.00	2,500,000.00	18,750.00	2,518,750.00
03/28/2013	325	ENT	63165TH88	Maturity	Nassau County NY	1,000,000.00	1,000,000.00	1,000,000.00	15,944.44	1,015,944.44
06/01/2013	338	ENT	17655GJLD	Maturity	Citizens Property Ins Corp FL	2,500,000.00	2,536,400.00	2,500,000.00	59,027.78	2,559,027.78
					<b>Total for Enterprise</b>	<b>18,000,000.00</b>	<b>18,364,500.00</b>	<b>18,000,000.00</b>	<b>146,385.41</b>	<b>18,646,385.41</b>
<b>Enterprise - Reserves</b>										
01/23/2013	306	ENT-RES	3134G3M41	Interest	FHLJM Call Note	0.00	0.00	0.00	13,125.00	13,125.00
01/23/2013	306	ENT-RES	3134G3M41	Call	FHLJM Call Note	3,000,000.00	3,000,000.00	3,000,000.00	0.00	3,000,000.00
03/25/2013	340	ENT-RES	3135GAPB3	Interest	FNMA Call Note	0.00	0.00	0.00	2,600.00	2,600.00
04/30/2013	319	ENT-RES	3136G9FL0	Interest	FNMA Call Note	0.00	0.00	0.00	6,000.00	6,000.00
04/30/2013	319	ENT-RES	3136G9FL0	Call	FNMA Call Note	2,000,000.00	1,998,700.00	2,000,000.00	0.00	2,000,000.00
07/23/2013	306	ENT-RES	3134G3M41	Interest	FHLJM Call Note	0.00	0.00	0.00	13,125.00	13,125.00
					<b>Total for Enterprise - Reserves</b>	<b>5,000,000.00</b>	<b>4,998,700.00</b>	<b>5,000,000.00</b>	<b>34,750.00</b>	<b>5,034,750.00</b>
<b>Pooled Cash</b>										
02/01/2013	308	PC	090491UY5	Maturity	Binghamton NY BAN	2,500,000.00	2,518,600.00	2,500,000.00	31,163.19	2,531,163.19
02/20/2013	333	PC	313380E60	Interest	FHLB Call Note	0.00	0.00	0.00	3,600.00	3,600.00
02/20/2013	333	PC	313380E60	Call	FHLB Call Note	2,000,000.00	2,000,000.00	2,000,000.00	0.00	2,000,000.00
02/20/2013	334	PC	313380E60	Interest	FHLB Call Note	0.00	0.00	0.00	5,400.00	5,400.00
02/20/2013	334	PC	313380E60	Call	FHLB Call Note	3,000,000.00	3,000,000.00	3,000,000.00	0.00	3,000,000.00
02/21/2013	312	PC	3134G3LZ1	Interest	FHLJM Call Note	0.00	0.00	0.00	12,500.00	12,500.00
02/21/2013	312	PC	3134G3LZ1	Call	FHLJM Call Note	5,000,000.00	5,000,000.00	5,000,000.00	0.00	5,000,000.00
03/22/2013	315	PC	150058988	Maturity	IBC Bank CD	2,500,000.00	2,500,000.00	2,500,000.00	18,750.00	2,518,750.00
04/30/2013	324	PC	63165TH88	Maturity	Nassau County NY	4,000,000.00	4,040,320.00	4,000,000.00	70,666.67	4,070,666.67
06/01/2013	337	PC	17655GJLD	Maturity	Citizens Property Ins Corp FL	2,500,000.00	2,536,400.00	2,500,000.00	59,027.78	2,559,027.78

Portfolio AP  
PC (PR)\_PC 7.2.0  
Report Ver. 7.3.3b

Projected Cashflow Report  
For the Period January 1, 2013 - July 31, 2013

Projected Trans. Date	Investment #	Fund	Security ID	Transaction Type	Issuer	Par Value	Original Cost	Principal	Interest	Total
					Total for Pooled Cash	21,590,000.00	21,995,320.00	21,590,000.00	291,167.64	21,791,167.64
<b>Pooled Cash - Reserves</b>										
01/23/2013	305	PC-RES	3134G3HA1	Interest	FHLMC Call Note	0.00	0.00	0.00	13,125.00	13,125.00
01/23/2013	303	PC-RES	3134G3HA1	Call	FHLMC Call Note	3,000,000.00	3,000,000.00	3,000,000.00	0.00	3,000,000.00
03/25/2013	339	PC-RES	3135G0PB3	Interest	FHMA Call Note	0.00	0.00	0.00	2,500.00	2,500.00
04/09/2013	318	PC-RES	3136G0FL0	Interest	FHMA Call Note	0.00	0.00	0.00	8,250.00	8,250.00
04/09/2013	318	PC-RES	3136G0FL0	Call	FHMA Call Note	2,750,000.00	2,745,212.50	2,750,000.00	0.00	2,750,000.00
07/23/2013	305	PC-RES	3134G3HA1	Interest	FHLMC Call Note	0.00	0.00	0.00	13,125.00	13,125.00
					Total for Pooled Cash - Reserves	5,750,000.00	5,748,212.50	5,750,000.00	37,000.00	5,787,000.00
					GRAND TOTALS:	50,750,000.00	50,994,732.50	50,750,000.00	419,243.05	51,169,243.05

Portfolio: AP  
PC 8-99-1-03 / Z-0  
Report Ver. 7.2.3b



# Quarterly Investment Report

## As of December 31, 2012



# Despite Cliff Deal: Nothing Has Been Fixed



The months-long fiscal wrangling to address the long-term financial problems of the US has kept the markets on edge. With a bill passed now we will pause but only temporarily because all we did was kick the can down the street.

The Band-Aid Bill to avoid the "cliff" stopped tax hikes and permanently ends the ATM expansions. But the same problems exist. No new spending cuts were addressed and postponed various planned cuts.

Immediate reactions should be market favorable but will end with debt ceiling negotiations in 60 days. That discussion is much more serious. Treasury has put in place various fixes to keep the Government issuing and functioning but only through March 27 when sequester takes effect.

Economists project that this new plan will shave 1% off growth in 2013.

Anatomy of a Fiscal Cliff:

US Tax revenue:	\$ 2,170,000,000,000
Federal Budget:	\$ 3,820,000,000,000
New Debt:	\$ 1,650,000,000,000
National Debt:	\$14,271,000,000,000
Recent budget cuts:	\$ 38,500,000,000

Let's pretend this is a household budget:

Annual family income:	\$ 21,700
Money family spent:	\$ 38,200
New Credit Card debt:	\$ 16,500
Credit card balance:	\$ 142,710
Total new budget cuts:	\$ 38

Got it? The market does.

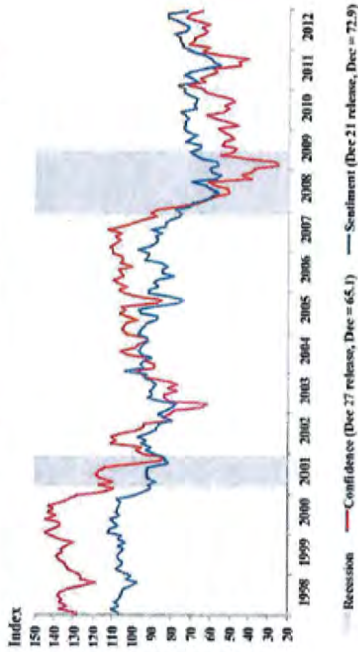
Source: Morgan Stanley

# Was it a Bungee Jump over the Cliff?

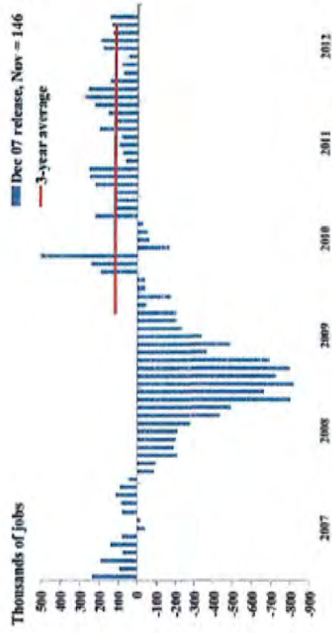
- The discussions for tax changes predate the coming contentious discussions on the debt ceiling and expenditures.
- The problems of 2012 will persist: a very fragile economy, anemic job growth and a decimated household balance sheet.
- GDP for 4Q should be around 3.0% with increases in pockets of construction, durable goods orders and personal income. The lower oil prices should improve shipments for all manufacturing.
- However estimates for 1Q'13 range closer to 1%. Christmas sales were sluggish (the worst since 2007) and can lead to inventory overload which then slows production in 1Q.
- Remember: Unlimited FDIC insurance for *non-interest bearing accounts* ended 1/1/13. Be sure the appropriate collateral is in place for your deposits.



## Consumer Confidence/Sentiment



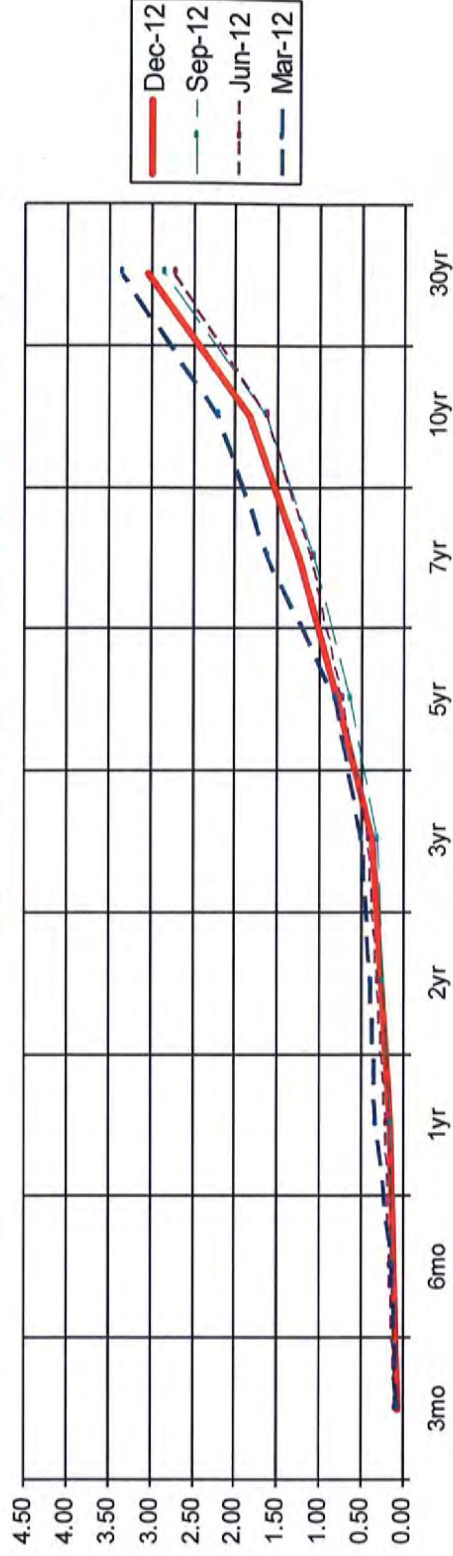
## Change in Nonfarm Employment



# The Fed Stands Its Ground

- Market volatility will undoubtedly continue for several months. The very short end of the curve (to 1-year) has stayed low and moved even slightly lower over the past quarter. And despite Fed purchases, the longer end has moved slightly higher on cliff relief. Stocks are simply happy that we have a deal regardless of what the deal represents.
- The actions of the Federal Reserve and the FOMC position to keep rates low until potentially 2015 continues to distort the price of bonds. The rates are artificial and unfortunately give politicians the argument that there is no debt problem because we can keep borrowing at these low rates.
- Recognition during debt ceiling discussions could push yields higher but only temporarily. Treasury has taken "extraordinary measures" (Geithner) steps to delay insolvency for two months on notational Treasury investments for such areas as Federal workers 401-ks.
- The most ominous deadline comes in March when Congress faces a sequestration, a government default and a government shutdown. Focusing on that and Treasury antics will keep rates low.

Fed confirms it will continue to quantitatively ease as long as necessary.



End of Month Rates - Full Yield Curve - Fed Funds to 30yr

# Public Entity Name

## Portfolio Summary Management Report September 30, 2012 – December 31, 2012

This quarterly report is in compliance with the investment policy and strategy as established by the City and the Public Funds Investment Act (Chapter 2256, Texas Government Code).

### Pooled Cash Fund

<u>September 30, 2012</u>		<u>December 31, 2012</u>	
Beginning Book Value	\$ 56,532,212	Ending Book Value	\$ 50,231,138
Beginning Market Value	\$ 56,546,717	Ending Market Value	\$ 50,241,071
Unrealized Gain/Loss	\$ 14,505	Accrued Interest Receivable	\$ 27,155
<sup>1</sup> WAM at Beginning Period Date	162 days	Total Income for Quarter	\$ 44,941
		Unrealized Gain/Loss	\$ 9,933
		WAM at Ending Period Date	137 days
Average Yield to Maturity for period:	0.342%	<sup>2</sup> Change in Market Value	\$ (6,305,646)
Average Yield 90-day Treasury Bill for period:	0.090%	Change in Unrealized Gain/Loss	\$ (4,572)
Average Yield 6-month Treasury Bill for period:	0.140%	Capitalized Gains/Losses period	\$ 0

### Enterprise Fund

<u>September 30, 2012</u>		<u>December 31, 2012</u>	
Beginning Book Value	\$ 76,030,993	Ending Book Value	\$ 77,504,394
Beginning Market Value	\$ 76,038,875	Ending Market Value	\$ 77,498,621
Unrealized Gain/Loss	\$ 7,882	Accrued Interest Receivable	\$ 29,342
<sup>1</sup> WAM at Beginning Period Date	116 days	Total Income for Quarter	\$ 48,996
		Unrealized Gain/Loss	\$ (5,773)
		WAM at Ending Period Date	106 days
Average Yield to Maturity for period:	0.262%	<sup>2</sup> Change in Market Value	\$ 1,459,746
Average Yield 90-day Treasury Bill for period:	0.090%	Change in Unrealized Gain/Loss	\$ (13,655)
Average Yield 6-month Treasury Bill for period:	0.140%	Capitalized Gains/Losses period	\$ 0

## Portfolio Summary Management Report

### October 1, 2012 – December 31, 2012

This quarterly report is in compliance with the investment policy and strategy as established by the City and the Public Funds Investment Act (Chapter 2256, Texas Government Code)

#### Pooled Cash – Reserves Fund

<u>September 30, 2012</u>		<u>December 31, 2012</u>	
Beginning Book Value	\$ 13,126,450	Ending Book Value	\$ 13,129,034
Beginning Market Value	\$ 13,138,185	Ending Market Value	\$ 13,136,722
Unrealized Gain/Loss	\$ 11,735	Accrued Interest Receivable	\$ 3,979
<sup>1</sup> WAM at Beginning Period Date	473 days	Total Income for Quarter	\$ 14,522
<b>Average Yield to Maturity for period:</b>	<b>0.442%</b>	Unrealized Gain/Loss	\$ 7,688
<b>Average Yield 6-month Treasury Bill for period:</b>	<b>0.140%</b>	WAM at Ending Period Date	425 days
<b>Average Yield 1-year Treasury Bill for period:</b>	<b>0.170%</b>	<sup>2</sup> Change in Market Value	\$ (1,463)
		<b>Change in Unrealized Gain/Loss</b>	<b>\$ (4,047)</b>
		<b>Capitalized Gains/Losses period</b>	<b>\$ 0</b>

#### Enterprise – Reserves Fund

<u>September 30, 2012</u>		<u>December 31, 2012</u>	
Beginning Book Value	\$ 11,670,616	Ending Book Value	\$ 11,672,892
Beginning Market Value	\$ 11,680,879	Ending Market Value	\$ 11,679,240
Unrealized Gain/Loss	\$ 10,263	Accrued Interest Receivable	\$ 3,604
<sup>1</sup> WAM at Beginning Period Date	471 days	Total Income for Quarter	\$ 13,088
<b>Average Yield to Maturity for period:</b>	<b>0.448%</b>	Unrealized Gain/Loss	\$ 6,348
<b>Average Yield 6-month Treasury Bill for period:</b>	<b>0.140%</b>	WAM at Ending Period Date	424 days
<b>Average Yield 1-year Treasury Bill for period:</b>	<b>0.170%</b>	<sup>2</sup> Change in Market Value	\$ (1,639)
		<b>Change in Unrealized Gain/Loss</b>	<b>\$ (3,915)</b>
		<b>Capitalized Gains/Losses period</b>	<b>\$ 0</b>

Public Entity Name  
Contact Name, Title

Registered Investment Advisor  
Patterson & Associates, Linda T. Patterson, President

Notes: <sup>1</sup> WAM represents weighted average maturity. <sup>2</sup> Change in Market Value is required data, and the decrease here primarily represents overall portfolio balances changes within the quarter.

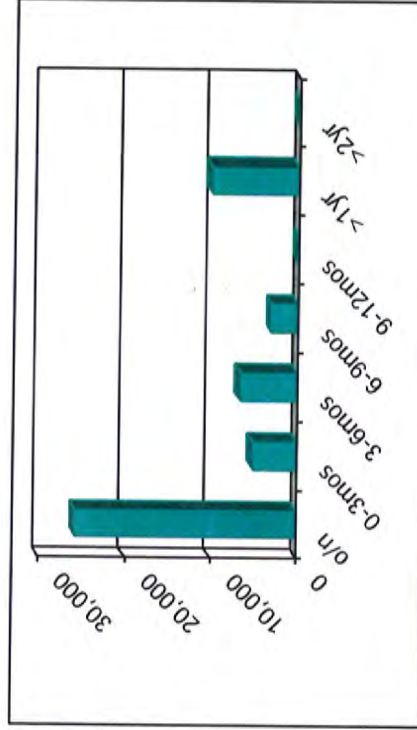
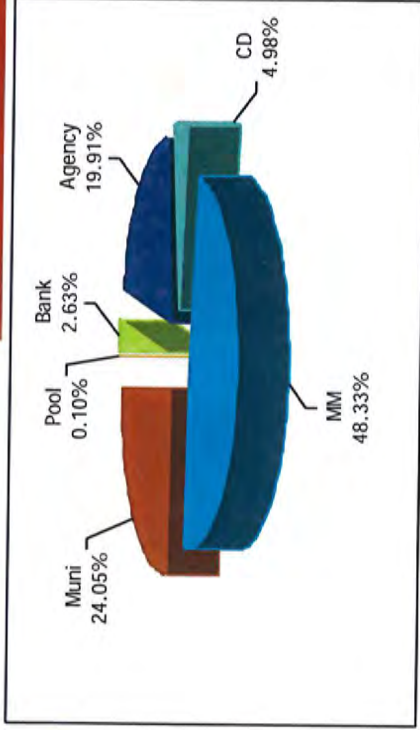
# Pooled Cash Portfolio

As of December 31, 2012

ROUND ROCK, TEXAS  
PURPOSE: PASSION. PROSPERITY.

- P&A constantly reviews your portfolio for optimal asset allocation and a controlled average maturity because a diversified portfolio can better adjust to volatile market conditions.
- The extremely low short-term rates make diversification difficult and they are reasonably expected to continue now at least through 2012.
- Banks remain *uninterested* in accepting new deposits and CD rates are unusually low.
- Municipal bonds are adding value in many portfolios adding a safe alternative.
- Portfolios are cash heavy as we struggle to find value with a flat yield curve which provides little value under six months. This should start to change in 2013.
- Your net yield of 0.34% compared to some basic benchmarks generated additional quarterly earnings of:

- Q 3 mo. T-Bill \$32,551.04
- Q 6 mo. T-Bill \$26,098.23
- Q 1 yr T-Bill \$22,226.55

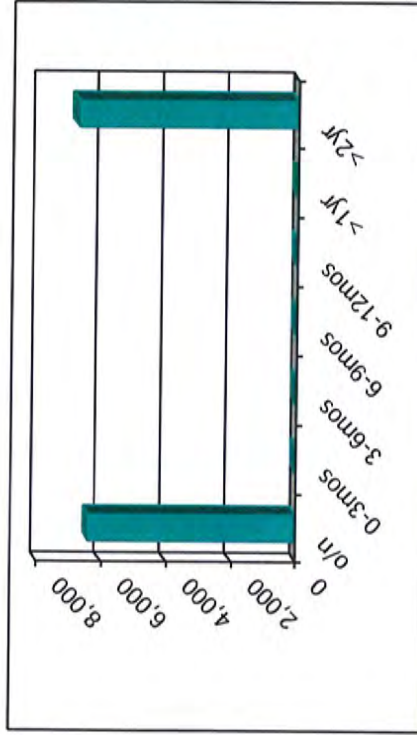


# Pooled Cash-Res Portfolio

As of December 31, 2012

ROUND ROCK, TEXAS  
PURPOSE. PASSION. PROSPERITY.

- P&A constantly reviews your portfolio for optimal asset allocation and a controlled average maturity because a diversified portfolio can better adjust to volatile market conditions.
- The extremely low short-term rates make diversification difficult and they are reasonably expected to continue now at least through 2012.
- Banks remain *uninterested* in accepting new deposits and CD rates are unusually low.
- Municipal bonds are adding value in many portfolios adding a safe alternative.
- Portfolios are cash heavy as we struggle to find value with a flat yield curve which provides little value under six months. This should start to change in 2013.
- Your net yield of 0.44% compared to some basic benchmarks generated additional quarterly earnings of:
  - Q 3 mo. T-Bill \$11,541.88
  - Q 6 mo. T-Bill \$9,900.85
  - Q 1 yr T-Bill \$8,916.24



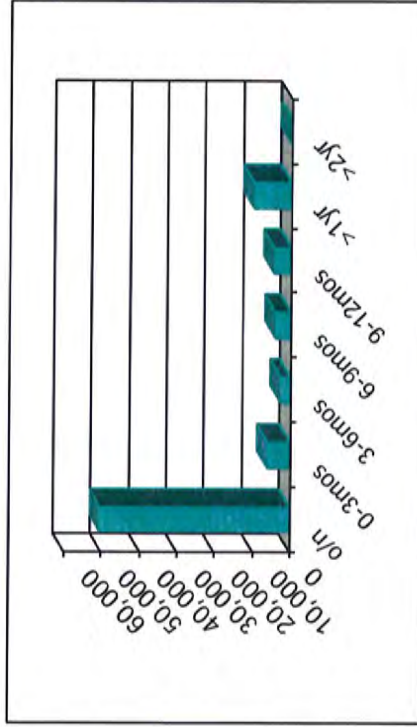
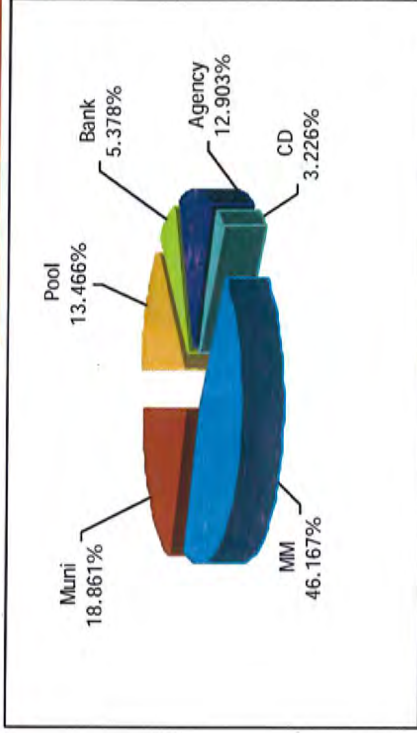
# Enterprise Portfolio

As of December 31, 2012

ROUND ROCK, TEXAS  
PURPOSE: PASSION. PROSPERITY.

- P&A constantly reviews your portfolio for optimal asset allocation and a controlled average maturity because a diversified portfolio can better adjust to volatile market conditions.
- The extremely low short-term rates make diversification difficult and they are reasonably expected to continue now at least through 2012.
- Banks remain *uninterested* in accepting new deposits and CD rates are unusually low.
- Municipal bonds are adding value in many portfolios adding a safe alternative.
- Portfolios are cash heavy as we struggle to find value with a flat yield curve which provides little value under six months. This should start to change in 2013.
- Your net yield of 0.26% compared to some basic benchmarks generated additional quarterly earnings of:

- Q 3 mo. T-Bill \$32,988.24
- Q 6 mo. T-Bill \$23,380.73
- Q 1 yr T-Bill \$17,616.23

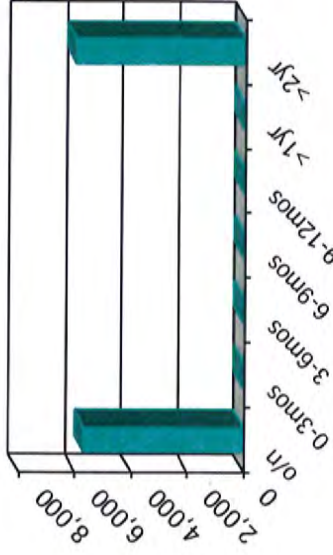


# Enterprise-Res Portfolio

As of December 31, 2012

ROUND ROCK, TEXAS  
FUTURE. POSSIBLE. PROSPERITY.

- P&A constantly reviews your portfolio for optimal asset allocation and a controlled average maturity because a diversified portfolio can better adjust to volatile market conditions.
- The extremely low short-term rates make diversification difficult and they are reasonably expected to continue now at least through 2012.
- Banks remain *uninterested* in accepting new deposits and CD rates are unusually low.
- Municipal bonds are adding value in many portfolios adding a safe alternative.
- Portfolios are cash heavy as we struggle to find value with a flat yield curve which provides little value under six months. This should start to change in 2013.
- Your net yield of 0.45% compared to some basic benchmarks generated additional quarterly earnings of:
  - Q 3 mo. T-Bill \$10,436.86
  - Q 6 mo. T-Bill \$8,977.83
  - Q 1 yr T-Bill \$8,102.42





Fullerton & Associates  
301 Congress Ave  
Suite 570  
Austin, TX 78701

**Portfolio Management**  
**Portfolio Summary**  
December 31, 2012

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM
CD's - Interest at Maturity	5,000,000.00	5,000,000.00	5,000,000.00	3.28	365	80	0.750
TexasTerm Daily	410,384.39	410,384.39	410,384.39	0.27	1	1	0.130
Federal Agency Coupon Securities	32,750,000.00	32,768,384.00	32,747,328.13	21.47	867	631	0.544
Municipal Bonds	28,500,000.00	28,696,565.00	28,699,424.57	17.50	335	170	0.584
TexSTAR	8,570,187.43	8,570,187.43	8,570,187.43	5.62	1	1	0.165
Lone Star Pool	1,001,439.07	1,001,439.07	1,001,439.07	0.66	1	1	0.150
Wells Fargo	77,601,961.54	77,601,961.54	77,601,961.54	50.87	1	1	0.130
TesPool	506,732.59	506,732.59	506,732.59	0.33	1	1	0.151
<b>Investments</b>	<b>152,340,705.02</b>	<b>152,555,654.02</b>	<b>152,537,457.72</b>	<b>100.00%</b>	<b>257</b>	<b>168</b>	<b>0.317</b>

<b>Cash and Accrued Interest</b>							
Accrued Interest at Purchase		29,919.44	29,919.44				
Subtotal		29,919.44	29,919.44				
<b>Total Cash and Investments</b>	<b>152,340,705.02</b>	<b>152,585,573.46</b>	<b>152,567,377.16</b>		<b>257</b>	<b>168</b>	<b>0.317</b>

<b>Total Earnings</b>	<b>December 31</b>	<b>Month Ending</b>	<b>Fiscal Year To Date</b>
Current Year	40,900.90		121,547.26

The following reports are submitted in accordance with the Public Funds Investment Act (Texas Gov't Code 2255). The reports also offer supplemental information not required by the Act in order to fully inform the governing body of the [redacted] of the position and activity within the City's portfolio of investments. The reports include a management summary overview, a detailed inventory report for the end of the period, a transaction report, as well as graphic representations of the portfolio to provide full disclosure to the governing body.

Reporting period 12/01/2012-12/31/2012  
Data Updated [redacted] 01/15/2013 16:38  
Run Date: 01/15/2013 - 16:38

Portfolio [redacted] AP  
PM (PRF\_PM1) 7.3.0  
Report Ver. 7.3.3b



**Summary by Type**  
**December 31, 2012**  
**Grouped by Fund**

Security Type	Number of Investments	Par Value	Book Value	% of Portfolio	Average YTM 365	Average Days to Maturity
<b>Fund: Enterprise</b>						
Federal Agency Coupon Securities	3	10,000,000.00	10,000,000.00	6.56	0.430	505
CD's - Interest at Maturity	1	2,500,000.00	2,500,000.00	1.64	0.750	80
Lone Star Pool	1	1,001,439.07	1,001,439.07	0.66	0.150	1
Municipal Bonds	5	14,500,000.00	14,618,197.92	9.59	0.509	201
TexPool	1	501,696.27	501,696.27	0.33	0.151	1
TexSTAR	1	8,528,896.99	8,528,896.99	5.59	0.165	1
TexasTerm Daily	1	405,297.96	405,297.96	0.27	0.130	1
Wells Fargo	2	39,943,865.97	39,948,865.97	26.19	0.125	1
<b>Subtotal</b>	<b>15</b>	<b>77,386,196.26</b>	<b>77,594,394.18</b>	<b>59.82</b>	<b>0.262</b>	<b>106</b>
<b>Fund: Enterprise - Reserves</b>						
Federal Agency Coupon Securities	3	6,000,000.00	5,998,853.42	3.93	0.729	825
Wells Fargo	1	5,674,038.26	5,674,038.26	3.72	0.140	1
<b>Subtotal</b>	<b>4</b>	<b>11,674,038.26</b>	<b>11,672,891.68</b>	<b>7.65</b>	<b>0.443</b>	<b>425</b>
<b>Fund: Pooled Cash</b>						
Municipal Bonds	4	12,000,000.00	12,081,226.65	7.92	0.631	133
Federal Agency Coupon Securities	3	10,000,000.00	10,000,000.00	6.56	0.430	506
Wells Fargo	2	25,598,497.81	25,598,497.81	16.78	0.133	1
CD's - Interest at Maturity	1	2,500,000.00	2,500,000.00	1.64	0.750	80
TexPool	1	5,036.32	5,036.32	0.00	0.151	1
TexSTAR	1	41,290.44	41,290.44	0.03	0.165	1
TexasTerm Daily	1	5,086.43	5,086.43	0.00	0.130	1
<b>Subtotal</b>	<b>13</b>	<b>90,149,911.06</b>	<b>90,231,137.65</b>	<b>32.93</b>	<b>0.343</b>	<b>137</b>
<b>Fund: Pooled Cash - Reserves</b>						
Federal Agency Coupon Securities	3	6,750,000.00	6,748,474.71	4.42	0.717	828
Wells Fargo	1	6,380,559.50	6,380,559.50	4.16	0.140	1

Portfolio AP  
ST (PRF\_ST) 7.2.0  
Report Ver. 7.3.3b

Summary by Type  
 December 31, 2012  
 Grouped by Fund

Security Type	Number of Investments	Par Value	Book Value	% of Portfolio	Average YTM 265	Average Days to Maturity
	4	13,130,589.50	13,129,034.21	8.50	0.437	426
<b>Total and Average</b>	<b>36</b>	<b>152,340,705.02</b>	<b>152,337,457.72</b>	<b>100.00</b>	<b>0.317</b>	<b>168</b>

Portfolio AP  
 ST (PRF ST) 7.2.0  
 Report Ver. 7.3.29



Patterson & Associates  
301 Congress Ave  
Suite 570  
Austin, TX 78701

**Fund ENT - Enterprise  
Investments by Fund  
December 31, 2012**

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 365	YTM 365	Maturity Date	Days To Maturity
<b>CD's - Interest at Maturity</b>											
1500589916	316	IBC Bank CD	03/22/2012	2,500,000.00	2,500,000.00	2,500,000.00	0.750	0.759	0.750	03/22/2013	80
			<b>Subtotal and Average</b>	<b>2,500,000.00</b>	<b>2,500,000.00</b>	<b>2,500,000.00</b>	<b>0.750</b>	<b>0.760</b>	<b>0.750</b>		<b>80</b>
<b>TexasTerm Daily</b>											
1210101	254	TexasTerm Daily	10/01/2012	405,297.95	405,297.95	405,297.95	0.130	0.128	0.130		1
			<b>Subtotal and Average</b>	<b>405,297.95</b>	<b>405,297.95</b>	<b>405,297.95</b>	<b>0.130</b>	<b>0.128</b>	<b>0.130</b>		<b>1</b>
<b>Federal Agency Coupon Securities</b>											
313380E60	335	FHLB Call Note	09/31/2012	2,000,000.00	2,000,000.00	2,000,548.00	0.350	0.355	0.359	09/20/2014	590
313390E60	336	FHLB Call Note	09/31/2012	3,000,000.00	3,000,000.00	3,000,822.00	0.350	0.355	0.359	09/20/2014	590
313403LZ1	313	FHLMC Call Note	02/27/2012	5,000,000.00	5,000,000.00	5,002,146.00	0.500	0.493	0.499	02/21/2014	416
			<b>Subtotal and Average</b>	<b>10,000,000.00</b>	<b>10,000,000.00</b>	<b>10,003,516.00</b>	<b>0.434</b>	<b>0.430</b>			<b>595</b>
<b>Municipal Bonds</b>											
090491UY5	309	Binghamton NY BAN	02/02/2012	2,501,554.32	2,500,000.00	2,501,750.00	1.250	0.493	0.500	03/01/2013	31
176553JL3	338	Chromis Property Ins Corp FL	09/14/2012	2,521,245.14	2,500,000.00	2,521,500.00	2.500	0.445	0.451	08/01/2013	151
631651HE6	325	Nassau County NY	09/12/2012	1,002,912.85	1,000,000.00	1,003,050.00	2.000	0.789	0.800	03/29/2013	87
692160HJ6	330	Oyster Bay NY	09/10/2012	4,057,785.18	4,000,000.00	4,059,520.00	3.000	0.591	0.600	08/09/2013	220
917763SP0	341	Ulrica NY School District	11/30/2012	4,534,700.39	4,500,000.00	4,522,455.00	1.250	0.394	0.400	11/29/2013	332
			<b>Subtotal and Average</b>	<b>14,618,197.92</b>	<b>14,000,000.00</b>	<b>14,608,815.00</b>	<b>6.902</b>	<b>6.999</b>			<b>291</b>
<b>Lone Star Pool</b>											
105300	304	Lone Star Pool	11/23/2011	1,001,439.07	1,001,439.07	1,001,439.07	0.150	0.147	0.150		1
			<b>Subtotal and Average</b>	<b>1,001,439.07</b>	<b>1,001,439.07</b>	<b>1,001,439.07</b>	<b>0.146</b>	<b>0.149</b>			<b>1</b>
<b>TexSTAR</b>											
999999991	8002	TexSTAR	10/01/2006	8,528,896.99	8,528,896.99	8,528,896.99	0.165	0.162	0.164		1
			<b>Subtotal and Average</b>	<b>8,528,896.99</b>	<b>8,528,896.99</b>	<b>8,528,896.99</b>	<b>0.162</b>	<b>0.162</b>	<b>0.165</b>		<b>1</b>
<b>Wells Fargo</b>											
28415164	267	Fidelity Prime MM Inst (FIPXX)	03/31/2011	35,790,828.85	35,790,828.85	35,790,828.85	0.140	0.138	0.140		1
99992	231	Wells Fargo - Choice IV	09/31/2010	4,168,037.12	4,168,037.12	4,168,037.12					1

Portfolio AP  
FIPRF\_P97.1.1  
Report Ver. 7.3.2b

Fund ENT - Enterprise  
Investments by Fund  
December 31, 2012

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
1652200002	274	TexPool	04/11/2011	501,696.27	501,696.27	501,696.27	0.151	0.148	0.150		1
			Subtotal and Average	39,548,865.97	39,548,865.97	39,548,865.97	0.124	0.124	0.125		1
			Subtotal and Average	501,696.27	501,696.27	501,696.27	0.149	0.149	0.151		1
			Total Investments and Average	77,504,394.18	77,385,198.26	77,498,621.26	0.253	0.253	0.262		106

Portfolio AP  
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Report Ver. 7.3.0b

**Fund ENT-RES - Enterprise - Reserves**  
**Investments by Fund**  
**December 31, 2012**

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
<b>Federal Agency Coupon Securities</b>											
3134G3HA1	306	FHLMC Call Note	01/23/2012	3,000,000.00	3,000,000.00	3,000,972.00	0.875	0.863	0.875	01/23/2015	752
3135G2FL0	319	FNMA Call Note	04/03/2012	1,998,990.09	2,000,000.00	2,002,560.00	0.000	0.613	0.621	04/03/2015	849
3135G2PB3	340	FNMA Call Note	09/25/2012	595,853.33	1,000,000.00	1,001,670.00	0.500	0.498	0.505	09/25/2015	997
		<b>Subtotal and Average</b>		<b>5,595,853.42</b>	<b>6,000,000.00</b>	<b>6,005,202.00</b>		<b>0.719</b>	<b>0.729</b>		<b>825</b>
<b>Wells Fargo</b>											
26871645	285	Fidelity Prime MM Inst (FIPXX)	03/31/2011	5,674,038.26	5,674,038.26	5,674,038.26	0.140	0.138	0.140		1
		<b>Subtotal and Average</b>		<b>5,674,038.26</b>	<b>5,674,038.26</b>	<b>5,674,038.26</b>		<b>0.138</b>	<b>0.140</b>		<b>1</b>
		<b>Total Investments and Average</b>		<b>11,672,891.68</b>	<b>11,674,038.26</b>	<b>11,679,240.26</b>		<b>0.437</b>	<b>0.443</b>		<b>424</b>

Portfolio: AP  
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 Report Ver. 7.2.3b

**Fund PC - Pooled Cash  
Investments by Fund  
December 31, 2012**

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Per Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days to Maturity
<b>CD's - Interest at Maturity</b>											
1509589866	315	IBC Bank CD	03/22/2012	2,500,000.00	2,500,000.00	2,500,000.00	0.750	0.739	0.750	03/22/2013	80
		<b>Subtotal and Average</b>		<b>2,500,000.00</b>	<b>2,500,000.00</b>	<b>2,500,000.00</b>	<b>0.750</b>	<b>0.740</b>	<b>0.750</b>		<b>80</b>
<b>TexasTerm Daily</b>											
1210-02	253	TexasTerm Daily	10/01/2012	5,086.43	5,086.43	5,086.43	0.130	0.128	0.130		1
		<b>Subtotal and Average</b>		<b>5,086.43</b>	<b>5,086.43</b>	<b>5,086.43</b>		<b>0.128</b>	<b>0.130</b>		<b>1</b>
<b>Federal Agency Coupon Securities</b>											
311388E60	333	FHLB Call Note	08/31/2012	2,000,000.00	2,000,000.00	2,000,548.00	0.350	0.355	0.359	08/20/2014	596
311388E60	334	FHLB Call Note	09/31/2012	3,000,000.00	3,000,000.00	3,000,822.00	0.350	0.355	0.359	08/20/2014	596
311403LZ1	312	FHLMC Call Note	02/27/2012	5,000,000.00	5,000,000.00	5,002,140.00	0.500	0.493	0.499	02/21/2014	416
		<b>Subtotal and Average</b>		<b>10,000,000.00</b>	<b>10,000,000.00</b>	<b>10,003,510.00</b>		<b>0.424</b>	<b>0.430</b>		<b>596</b>
<b>Municipal Bonds</b>											
090491L1Y5	306	Binghamton NY BAN	02/02/2012	2,501,554.32	2,500,000.00	2,501,750.00	1.250	0.493	0.500	02/01/2013	31
176553GU3	337	Clizma Property Ins Corp FL	09/14/2012	2,521,245.14	2,500,000.00	2,521,500.00	2.500	0.445	0.451	08/01/2013	151
63165THF5	324	Nassau County NY	06/12/2012	4,015,085.30	4,000,000.00	4,019,760.00	2.000	0.837	0.848	04/30/2013	119
662160KJ6	329	Oyster Bay NY	06/10/2012	3,043,338.89	3,000,000.00	3,044,640.00	3.000	0.591	0.600	08/09/2013	220
		<b>Subtotal and Average</b>		<b>12,081,223.65</b>	<b>12,000,000.00</b>	<b>12,087,650.00</b>		<b>0.622</b>	<b>0.631</b>		<b>132</b>
<b>TexSTAR</b>											
999999991	8001	TexSTAR	10/01/2006	41,290.44	41,290.44	41,290.44	0.165	0.162	0.164		1
		<b>Subtotal and Average</b>		<b>41,290.44</b>	<b>41,290.44</b>	<b>41,290.44</b>		<b>0.162</b>	<b>0.165</b>		<b>1</b>
<b>Wells Fargo</b>											
28414514	266	Fidelity Prime MM Inst (FBXX)	03/31/2011	24,275,169.69	24,275,169.69	24,275,169.69	0.140	0.138	0.140		1
9991	230	Wells Fargo - Choice IV	08/31/2010	1,323,328.12	1,323,328.12	1,323,328.12					1
		<b>Subtotal and Average</b>		<b>25,598,497.81</b>	<b>25,598,497.81</b>	<b>25,598,497.81</b>		<b>0.131</b>	<b>0.133</b>		<b>1</b>
<b>TexPool</b>											
1052200001	273	TexPool	04/11/2011	5,036.32	5,036.32	5,036.32	0.151	0.148	0.150		1
		<b>Subtotal and Average</b>		<b>5,036.32</b>	<b>5,036.32</b>	<b>5,036.32</b>		<b>0.149</b>	<b>0.151</b>		<b>1</b>

Portfolio AP  
FI (PRF\_FI) 7.1.1  
Report Ver. 7.3.3b

**Fund PC - Pooled Cash  
Investments by Fund  
December 31, 2012**

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
				59,231,137.85	59,149,911.00	59,241,071.00	0.338	0.338	0.343		137
Total Investments and Average											

Portfolio  
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F (PRC\_FI) 7.1.1  
Report Ver. 7.3.3b

Run Date: 01/15/2013 - 16:33

Fund PC-RES - Pooled Cash - Reserves  
Investments by Fund  
December 31, 2012

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Per Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
<b>Federal Agency Coupon Securities</b>											
3154GSHA1	305	FHLMC Call Note	01/23/2012	3,000,000.00	3,000,000.00	3,000,972.00	0.875	0.863	0.875	01/23/2015	752
3156GDFUD	318	FNMA Call Note	04/30/2012	2,748,811.38	2,750,000.00	2,753,520.00	0.600	0.613	0.621	04/30/2015	848
3155GDFB3	339	FNMA Call Note	09/25/2012	999,863.33	1,000,000.00	1,001,670.00	0.500	0.498	0.505	09/25/2015	997
		Subtotal and Average		6,748,474.71	6,750,000.00	6,756,162.00		0.797	0.717		827
<b>Wells Fargo</b>											
28871903	264	Fidelity Prime MM Inst (FIPXX)	03/31/2011	6,380,559.50	6,380,559.50	6,380,559.50	0.140	0.138	0.140		1
		Subtotal and Average		6,380,559.50	6,380,559.50	6,380,559.50		0.138	0.140		1
		Total Investments and Average		13,129,034.21	13,130,559.50	13,136,721.50		0.431	0.437		428

Portfolio AP  
FIDRES F1711  
Report Ver: 7.3.0b



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**Cash Reconciliation Report**  
For the Period October 1, 2012 - December 31, 2012  
Grouped by Fund

Trans. Date	Investment #	Fund	Trans. Type	Security ID	Par Value	Security Description	Maturity Date	Purchases	Interest	Redemptions	Cash
11/09/2012	341	ENT	Purchase	917763SP0	4,500,000.00	UNYSD 4.5M 1.25% Mat. 11/29/2013	11/29/2013	-4,537,980.00	0.00	0.00	-4,537,980.00
							Subtotal	-4,537,980.00	0.00	0.00	-4,537,980.00
<b>Enterprise - Reserves</b>											
10/30/2012	319	ENT-RES	Interest	3136G0FU0	2,000,000.00	FNMAC 2.0M 0.60% Mat.	04/30/2015	0.00	6,000.00	0.00	6,000.00
							Subtotal	0.00	6,000.00	0.00	6,000.00
<b>Pooled Cash - Reserves</b>											
10/30/2012	318	PC-RES	Interest	3136G0FU0	2,750,000.00	FNMAC 2.8M 0.60% Mat.	04/30/2015	0.00	8,250.00	0.00	8,250.00
							Subtotal	0.00	8,250.00	0.00	8,250.00
							<b>Total</b>	<b>-4,537,980.00</b>	<b>14,250.00</b>	<b>0.00</b>	<b>-4,523,730.00</b>

Portfolio: AP  
AC (P&A) 12/31  
Report Ver: 1.2.3.6



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**Purchases Report**  
**Sorted by Fund - Fund**  
**October 1, 2012 - December 31, 2012**

CUSIP	Enterprise	Investment #	Fund	Sec. Type	Issuer	Original Par Value	Purchase Date	Payment Periods	Principal Purchased	Accrued Interest at Purchase	Rate at Purchase	Maturity Date	YTM	Ending Book Value
917763SP0	341	ENT	MC1	LNYSO		4,500,000.00	11/30/2012	11/29 - Final Pmt.	4,537,580.00		1.250	11/29/2013	0.400	4,534,700.39
				Subtotal		4,500,000.00			4,537,580.00	0.00				4,534,700.39
				Total Purchases		4,500,000.00			4,537,580.00	0.00				4,534,700.39

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 Report Ver. 7.3.2b



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**Interest Earnings**

Sorted by Fund - Fund

October 1, 2012 - December 31, 2012

Yield on Average Book Value

CUSIP	Investment #	Fund	Security Type	Ending Par Value	Beginning Book Value	Average Book Value	Maturity Date	Current Annualized Rate	Yield	Interest Earned	Adjusted Amortization/ Accretion	Adjusted Interest Earnings
<b>Fund: Enterprise</b>												
999999991	8002	ENT	RRP	8,428,896.99	8,465,421.65	8,468,808.08		0.165	0.170	3,645.18	0.00	3,645.19
313386E60	335	ENT	FAC	2,000,000.00	2,000,000.00	2,000,000.00	08/20/2014	0.360	0.357	1,800.00	0.00	1,800.00
313386E60	336	ENT	FAC	3,000,000.00	3,000,000.00	3,000,000.00	08/20/2014	0.360	0.357	2,700.00	0.00	2,700.00
3134GSLZ1	313	ENT	FAC	5,000,000.00	5,000,000.00	5,000,000.00	02/21/2014	0.500	0.496	6,250.00	0.00	6,250.00
1210-01	254	ENT	LA1	405,297.96	405,167.55	405,213.58		0.130	0.128	130.41	0.00	130.41
26415164	267	ENT	RR4	35,789,838.85	35,787,418.47	35,359,128.17		0.140	0.150	13,410.38	0.00	13,410.38
9892	231	ENT	RR4	4,186,037.12	25,262,684.73	12,221,890.69				0.01	0.00	0.01
195220002	274	ENT	RR5	591,696.27	591,497.02	591,567.22		0.151	0.159	189.25	0.00	189.25
105300	304	ENT	RR2	1,001,439.07	1,001,060.70	1,001,191.91		0.150	0.150	378.37	0.00	378.37
090491UYS	309	ENT	MC1	2,500,000.00	2,568,317.27	2,503,843.55	03/01/2013	1.250	0.689	7,812.50	-4,662.95	3,149.55
150058918	316	ENT	BCD	2,500,000.00	2,500,000.00	2,500,000.00	03/22/2013	0.750	0.750	4,726.03	0.00	4,726.03
61657HEB	325	ENT	MC1	1,000,000.00	1,005,891.99	1,004,375.45	03/29/2013	2.000	0.798	5,900.00	-2,979.10	2,920.90
91763SP0	341	ENT	MC1	4,500,000.00	4,500,000.00	4,500,000.00	11/29/2013	1.250	0.983	4,843.75	-3,279.81	1,564.94
692160H45	330	ENT	MC1	4,000,000.00	4,031,641.45	4,069,497.23	08/09/2013	3.000	0.569	30,000.00	-20,856.27	6,143.73
176535UJ3	338	ENT	MC1	2,500,000.00	2,533,982.22	2,527,980.21	05/01/2013	2.500	0.652	15,025.00	-12,747.08	2,277.92
			Subtotal	77,286,196.26	76,030,933.05	82,169,842.58		0.237		96,520.89	-47,525.91	48,995.88
<b>Fund: Enterprise - Reserves</b>												
3135GPPB3	340	ENT-RES	FAC	1,000,000.00	998,850.83	998,857.20	09/25/2015	0.500	0.501	1,250.00	12.50	1,262.50
3135GFLU9	319	ENT-RES	FAC	2,000,000.00	1,998,811.76	1,998,936.88	04/03/2015	0.600	0.617	3,000.00	108.33	3,108.33
3134GCH41	306	ENT-RES	FAC	3,000,000.00	3,000,000.00	3,000,000.00	01/23/2015	0.875	0.868	6,562.50	0.00	6,562.50
28871945	265	ENT-RES	RR4	5,674,038.26	5,671,893.44	5,672,656.21		0.140	0.151	2,154.82	0.00	2,154.82
			Subtotal	11,674,838.26	11,670,616.03	11,671,450.29		0.445		12,967.32	120.83	13,088.15
<b>Fund: Pooled Cash</b>												
999999991	8001	PC	RRP	41,220.44	101,086.31	78,950.04		0.165	0.172	34.28	0.00	34.28
313386E60	333	PC	FAC	2,000,000.00	2,000,000.00	2,000,000.00	08/20/2014	0.360	0.357	1,800.00	0.00	1,800.00
313386E60	334	PC	FAC	3,000,000.00	3,000,000.00	3,000,000.00	08/20/2014	0.360	0.357	2,700.00	0.00	2,700.00
3134GSLZ1	312	PC	FAC	5,000,000.00	5,000,000.00	5,000,000.00	02/21/2014	0.500	0.496	6,250.00	0.00	6,250.00

Portfolio AP  
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Report Ver. 7.3.3b

Run Date: 01/02/2013 - 13:06

Interest Earnings

October 1, 2012 - December 31, 2012

CUSIP	Investment #	Fund	Security Type	Ending Par Value	Beginning Book Value	Average Book Value	Maturity Date	Current/Annualized Rate	Yield	Interest Earned	Amortization/ Accrual	Adjusted Interest Earnings
<b>Fund: Pooled Cash</b>												
1216402	253	PC	LA1	5,096.43	5,094.80	5,095.38		0.130	0.127	1.63	0.00	1.63
28414514	266	PC	RR4	24,275,169.65	24,364,966.34	25,773,160.34		0.140	0.151	10,203.35	0.00	10,203.35
105220001	273	PC	RR5	5,036.32	5,034.41	5,035.09		0.151	0.150	1.91	0.00	1.91
0904911U75	308	PC	MC1	2,500,000.00	2,506,217.27	2,503,843.56	09/01/2013	1.250	0.499	7,812.50	-4,662.95	3,149.55
1500588996	315	PC	BGD	2,500,000.00	2,500,000.00	2,500,000.00	09/22/2013	0.750	0.750	4,728.03	0.00	4,728.03
631651HF5	324	PC	MC1	4,000,000.00	4,026,499.62	4,020,690.60	04/02/2013	2.000	0.847	20,000.00	-11,411.32	8,588.68
6921694J6	329	PC	MC1	3,000,000.00	3,061,231.09	3,052,122.92	08/09/2013	3.000	0.593	22,500.00	-17,892.20	4,607.80
176533GJ5	337	PC	MC1	2,500,000.00	2,533,992.22	2,527,303.21	06/01/2013	2.500	0.452	15,625.00	-12,747.08	2,877.92
			Subtotal	48,325,562.58	49,704,112.86	51,466,431.12			0.346	91,654.70	-46,713.55	44,941.15
<b>Fund: Pooled Cash - Reserves</b>												
313629FU9	318	PC-RES	FAC	2,750,000.00	2,748,462.42	2,748,538.21	04/03/2015	0.500	0.617	4,125.00	148.96	4,273.96
313529PR3	339	PC-RES	FAC	1,000,000.00	999,850.83	999,857.20	09/25/2015	0.500	0.501	1,250.00	12.50	1,262.50
313433HA1	305	PC-RES	FAC	3,000,000.00	3,000,000.00	3,000,000.00	01/23/2015	0.875	0.868	6,562.50	0.00	6,562.50
28871603	264	PC-RES	RR4	6,390,559.50	6,376,136.38	6,379,005.37		0.140	0.151	2,423.12	0.00	2,423.12
			Subtotal	13,130,559.50	13,126,449.63	13,127,400.78			0.439	14,360.62	161.46	14,522.08
			Total	151,017,376.90	150,832,170.77	158,426,124.76			0.304	215,503.63	-63,956.37	151,547.26

Portfolio AP  
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**Amortization Schedule**  
**October 1, 2012 - December 31, 2012**  
**Sorted By Fund - Fund**

Investment #	Fund	Maturity Date	Beginning Par Value	Original Premium or Discount	Ending Book Value	Amounts Amortized And Unamortized As of 10/01/2012	Amount Amortized Through This Period	Amount Amortized Through 12/31/2012	Amount Unamortized Through 12/31/2012
Issuer		Amort. Date	Current Rate	Principal					
<b>Enterprise</b>									
309	ENT	02/01/2013	2,500,000.00	18,600.00	2,501,554.32	-12,302.73	-4,662.95	-17,045.68	1,554.32
	Binghamton NY BAN		1.250			6,217.27			
338	ENT	06/01/2013	2,500,000.00	36,400.00	2,521,245.14	-2,407.78	-12,747.08	-15,154.86	21,245.14
	Citizens Property Ins Corp FL		2.500			33,992.22			
325	ENT	03/29/2013	1,000,000.00	9,500.00	1,002,912.89	-3,608.91	-2,973.10	-6,587.11	2,912.89
	Nassau County NY		2.000			3,891.99			
330	ENT	08/09/2013	4,000,000.00	95,160.00	4,057,785.18	-13,878.55	-23,856.27	-37,374.82	57,785.18
	Oyster Bay NY		3.000			81,611.45			
341	ENT	11/29/2013	4,500,000.00	37,980.00	4,534,700.39	0.00	-3,279.61	-3,279.61	34,700.39
	Ulca NY School District		1.250			37,980.00			
			<b>Subtotal</b>	<b>197,640.00</b>	<b>14,618,197.92</b>	<b>-31,917.07</b>	<b>-47,826.01</b>	<b>-78,442.08</b>	<b>118,197.92</b>
						<b>165,722.93</b>			
<b>Enterprise - Reserves</b>									
318	ENT-RES	04/03/2015	2,000,000.00	-1,320.00	1,998,680.00	181.76	108.33	290.09	-1,009.91
	FNMA Call Note		0.600			-1,118.24			
340	ENT-RES	08/25/2015	1,000,000.00	-150.00	999,850.00	0.83	12.50	13.33	-136.67
	FNMA Call Note		0.500			-148.17			
			<b>Subtotal</b>	<b>-1,470.00</b>	<b>2,998,530.00</b>	<b>182.59</b>	<b>120.83</b>	<b>303.42</b>	<b>-1,146.58</b>
						<b>-1,287.61</b>			
<b>Pooled Cash</b>									
308	PC	02/01/2013	2,500,000.00	18,600.00	2,501,554.32	-12,302.73	-4,662.95	-17,045.68	1,554.32
	Binghamton NY BAN		1.250			6,217.27			
337	PC	06/01/2013	2,500,000.00	36,400.00	2,521,245.14	-2,407.78	-12,747.08	-15,154.86	21,245.14
	Citizens Property Ins Corp FL		2.500			33,992.22			
324	PC	04/30/2013	4,000,000.00	40,320.00	4,015,088.30	-13,820.58	-11,411.32	-25,231.70	15,088.30
	Nassau County NY		2.000			26,499.62			
329	PC	08/09/2013	3,000,000.00	71,370.00	3,043,338.89	-10,138.91	-17,892.20	-28,031.11	43,338.89
	Oyster Bay NY		3.000			61,231.99			
			<b>Subtotal</b>	<b>166,690.00</b>	<b>12,081,276.65</b>	<b>-33,740.59</b>	<b>-46,713.55</b>	<b>-85,463.35</b>	<b>81,276.65</b>
						<b>127,980.28</b>			

Portfolio AP  
AS (PRF\_ASH) 7.2.1  
Report Ver. 7.3.9b

Amortization Schedule  
October 1, 2012 - December 31, 2012

Investment #	Fund	Maturity Date	Beginning Par Value	Current Rate	Purchase Principal	Original Premium or Discount	Ending Book Value	Amounts Amortized and Accrued At 10/01/2012	Amount Amortized This Period	Amount Amortized Through 12/31/2012	Amount Unamortized Through 12/31/2012
<b>Pooled Cash - Reserves</b>											
318	PC-RES	04/00/2015	2,750,000.00	0.800	2,748,212.50	-1,787.50	2,748,611.38	248.92	148.98	398.88	-1,288.62
	FNMA Call Note	04/00/2015						-1,537.58			
338	PC-RES	06/25/2015	1,000,000.00	0.500	999,850.00	-150.00	999,853.33	0.83	12.50	13.33	-136.67
	FNMA Call Note	06/25/2015						-168.17			
		<b>Subtotal</b>			<b>3,748,062.50</b>	<b>-1,937.50</b>	<b>3,748,474.71</b>	<b>250.75</b>	<b>161.48</b>	<b>412.21</b>	<b>-1,525.29</b>
		<b>Total</b>			<b>33,610,942.60</b>	<b>369,842.60</b>	<b>33,446,752.70</b>	<b>-70,333.53</b>	<b>-83,656.27</b>	<b>-164,189.80</b>	<b>198,792.70</b>

Portfolio AP  
AS PRF\_AS/N/2.1  
Report Ver. 7.3.3b



Patterson & Associates  
301 Congress Ave  
Suite 570  
Austin, TX 78701

**Projected Cashflow Report**  
Sorted by Fund

For the Period January 1, 2013 - July 31, 2013

Projected Trans. Date	Investment #	Fund	Security ID	Transaction Type	Issuer	Par Value	Original Cost	Principal	Interest	Total
<b>Enterprise</b>										
02/01/2013	309	ENT	090491UYS	Maturity	Binghamton NY BAN	2,500,000.00	2,516,000.00	2,500,000.00	31,163.19	2,531,163.19
02/20/2013	335	ENT	31338RE50	Interest	FHLB Call Note	0.00	0.00	0.00	3,600.00	3,600.00
02/20/2013	335	ENT	31338RE50	Call	FHLB Call Note	2,000,000.00	2,000,000.00	2,000,000.00	0.00	2,000,000.00
02/20/2013	336	ENT	31338RE50	Interest	FHLB Call Note	0.00	0.00	0.00	5,400.00	5,400.00
02/20/2013	336	ENT	31338RE50	Call	FHLB Call Note	3,000,000.00	3,000,000.00	3,000,000.00	0.00	3,000,000.00
02/21/2013	313	ENT	3134G3LZ1	Interest	FHLMC Call Note	0.00	0.00	0.00	12,500.00	12,500.00
02/21/2013	313	ENT	3134G3LZ1	Call	FHLMC Call Note	5,000,000.00	5,000,000.00	5,000,000.00	0.00	5,000,000.00
03/22/2013	316	ENT	1600589618	Maturity	IBC Bank CD	2,500,000.00	2,500,000.00	2,500,000.00	18,750.00	2,518,750.00
03/29/2013	325	ENT	63165THFB	Maturity	Nassau County NY	1,000,000.00	1,009,500.00	1,000,000.00	15,844.44	1,015,844.44
06/01/2013	338	ENT	176555GUL3	Maturity	Citizens Property Ins Corp FL	2,500,000.00	2,536,400.00	2,500,000.00	59,027.76	2,559,027.76
					<b>Total for Enterprise</b>	<b>18,890,000.00</b>	<b>18,884,500.00</b>	<b>18,890,000.00</b>	<b>146,385.41</b>	<b>18,846,385.41</b>
<b>Enterprise - Reserves</b>										
01/23/2013	306	ENT-RES	3134G3H41	Interest	FHLMC Call Note	0.00	0.00	0.00	13,125.00	13,125.00
01/23/2013	306	ENT-RES	3134G3H41	Call	FHLMC Call Note	3,000,000.00	3,000,000.00	3,000,000.00	0.00	3,000,000.00
03/25/2013	340	ENT-RES	3135C0PFB	Interest	FNMA Call Note	0.00	0.00	0.00	2,500.00	2,500.00
04/30/2013	319	ENT-RES	3135C0PFB	Interest	FNMA Call Note	0.00	0.00	0.00	6,000.00	6,000.00
04/30/2013	319	ENT-RES	3135C0PFB	Call	FNMA Call Note	2,000,000.00	1,959,700.00	2,000,000.00	0.00	2,000,000.00
07/23/2013	306	ENT-RES	3134G3H41	Interest	FHLMC Call Note	0.00	0.00	0.00	13,125.00	13,125.00
					<b>Total for Enterprise - Reserves</b>	<b>5,000,000.00</b>	<b>4,998,700.00</b>	<b>5,000,000.00</b>	<b>34,750.00</b>	<b>5,034,750.00</b>
<b>Pooled Cash</b>										
02/01/2013	308	PC	090491UYS	Maturity	Binghamton NY BAN	2,500,000.00	2,518,600.00	2,500,000.00	31,163.19	2,531,163.19
02/20/2013	333	PC	31338RE50	Interest	FHLB Call Note	0.00	0.00	0.00	3,600.00	3,600.00
02/20/2013	333	PC	31338RE50	Call	FHLB Call Note	2,000,000.00	2,000,000.00	2,000,000.00	0.00	2,000,000.00
02/20/2013	334	PC	31338RE50	Interest	FHLB Call Note	0.00	0.00	0.00	5,400.00	5,400.00
02/20/2013	334	PC	31338RE50	Call	FHLB Call Note	3,000,000.00	3,000,000.00	3,000,000.00	0.00	3,000,000.00
02/21/2013	312	PC	3134G3LZ1	Interest	FHLMC Call Note	0.00	0.00	0.00	12,500.00	12,500.00
02/21/2013	312	PC	3134G3LZ1	Call	FHLMC Call Note	5,000,000.00	5,000,000.00	5,000,000.00	0.00	5,000,000.00
03/22/2013	315	PC	1500589618	Call	FHLMC Call Note	2,500,000.00	2,500,000.00	2,500,000.00	18,750.00	2,518,750.00
04/30/2013	324	PC	63165THFB	Maturity	IBC Bank CD	4,000,000.00	4,040,320.00	4,000,000.00	70,666.67	4,070,666.67
06/01/2013	337	PC	176555GUL3	Maturity	Citizens Property Ins Corp FL	2,500,000.00	2,536,400.00	2,500,000.00	59,027.76	2,559,027.76

Portfolio AP  
PC (P&E) PC 7.2.0  
Report Ver. 7.3.1b

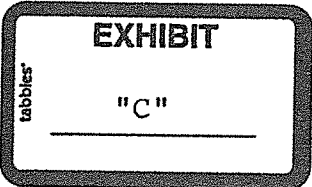
Projected Cashflow Report  
For the Period January 1, 2013 - July 31, 2013

Projected Trans. Date	Investment #	Fund	Security ID	Transaction Type	Issuer	Par Value	Original Cost	Principal	Interest	Total
Total for Pooled Cash						21,593,000.00	21,593,000.00	21,593,000.00	281,107.64	21,791,107.64
<b>Pooled Cash - Reserves</b>										
01/23/2013	305	PC-RES	3134G3HA1	Interest	FHLMC Call Note	0.00	0.00	0.00	13,125.00	13,125.00
01/23/2013	305	PC-RES	3134G3HA1	Call	FHLMC Call Note	3,000,000.00	3,000,000.00	3,000,000.00	0.00	3,000,000.00
03/25/2013	339	PC-RES	3135G6PE3	Interest	FNMA Call Note	0.00	0.00	0.00	2,500.00	2,500.00
04/09/2013	318	PC-RES	3135G6FL0	Interest	FNMA Call Note	0.00	0.00	0.00	8,250.00	8,250.00
04/09/2013	318	PC-RES	3135G6FL0	Call	FNMA Call Note	2,750,000.00	2,748,212.50	2,750,000.00	0.00	2,750,000.00
07/22/2013	305	PC-RES	3134G3HA1	Interest	FHLMC Call Note	0.00	0.00	0.00	13,125.00	13,125.00
Total for Pooled Cash - Reserves						5,750,000.00	5,748,212.50	5,750,000.00	37,000.00	5,787,000.00
GRAND TOTALS:						50,750,000.00	50,596,732.50	50,750,000.00	419,243.05	51,569,243.05

Portfolio: AP  
PC PPE - Proj / 2.0  
Report Ver: 7.3.2b

**City of Round Rock, Texas  
Investment Policy & Strategy  
October 25, 2012**

Invpol2012



**City of Round Rock, Texas**  
**Investment Policy & Strategy**  
**October 25, 2012**

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**City of Round Rock, Texas**  
**Investment Policy**  
**October 25, 2012**

*"I'm not as concerned about the return on my principal as I am about the return of my principal."*

Will Rogers

**I. Introduction**

The Investment Policy of the City of Round Rock, Texas, is adopted in accordance with Chapter 2256, Texas Government Code, the Public Funds Investment Act. This Policy establishes guidelines for the Investment Officers with regard to how City funds will be invested. This Policy also establishes guidelines for periodic review and reporting of the investments.

**II. Scope And Legal Requirements**

**A. Scope**

This Investment Policy for the City of Round Rock, Texas applies to the financial assets of all funds, including the following City funds:

- 1) General Fund
- 2) Special Revenue Funds
- 3) Debt Service Funds
- 4) Capital Project Funds
- 5) Enterprise Funds
- 6) Internal Service Funds
- 7) Trust and Agency Funds
- 8) Reserve Fund
- 9) Any new funds created by the City and any funds managed by the City of Round Rock, Texas, as trustee or agency, unless exempted by law. In addition to this Policy, bond funds established by bond ordinances shall be managed by their governing ordinances and all applicable State and Federal Law.

## **B. State Statute**

All funds covered by this Investment Policy shall be invested in accordance with the Public Funds Investment Act of 1987 as amended from time to time. (Texas Government Code, Ch. 2256.)

## **C. Delegation of Authority**

The Director of Finance, the Assistant Finance Director, the Accounting Manager, and the Treasury Accountant are hereby designated as the Investment Officers of the City of Round Rock, Texas, and are responsible for investment decisions and activities consistent with this Investment Policy.

The Investment Officers shall be responsible for all transactions and compliance with the internal controls, insure all safekeeping, custodial, and collateral duties consistent with this Investment Policy, as well as establishing and maintaining written procedures for cash management. The Investment Officers shall maintain timely, accurate and systematic records of all investments, maturities and earnings. Bonding of all staff with financial signatory authority is required and such bonding requirements will also apply to those individuals authorized to place, purchase or sell investment instruments. Bonding will protect the public against loss from possible embezzlement and malfeasance.

## **III. Investment Objectives**

### **A. Safety of Principal**

The primary objective of all investment activity is the preservation of capital and the safety of principal in the overall portfolio. Each investment transaction shall seek to ensure first that capital losses are avoided, whether they have resulted from securities defaults or erosion of market value.

With foremost emphasis on safety of principal (i.e. avoidance of capital losses), the Investment Officers will ensure that preservation of capital and protection of principal in the overall portfolio is maintained. Speculation is prohibited.

### **B. Maintenance of Adequate Liquidity**

The investment portfolio will remain sufficiently liquid to meet the cash flow requirements that might be reasonably anticipated. Liquidity shall be achieved by matching investment maturities with anticipated cash flow requirements; investing in securities with active secondary markets; and maintaining appropriate portfolio diversification.

#### **IV. Standard of Care**

Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. The standard of care shall be applied to the context of managing the overall portfolio.

#### **V. Investment Strategy**

In conjunction with the annual Policy review, the City Council shall review the separate written investment strategy for each of the City's funds. The investment strategy must describe the investment objectives for each particular fund according to the following priorities:

- 1) Investment suitability
- 2) Preservation and safety of principal
- 3) Liquidity
- 4) Marketability prior to maturity of each investment
- 5) Diversification
- 6) Yield

#### **VI. Authorized Investments**

##### **A. Authorized Investments**

The following is a list of authorized and legal investment options:

- 1) Obligations of the United States or its agencies and instrumentalities;
- 2) Direct obligations of the State of Texas or its agencies and instrumentalities;
- 3) Other obligations the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities;

- 4) Obligations of states agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent.
- 5) Certificates of Deposit as authorized under Section 2256.010 Public Funds Investment Act.
- 6) Repurchase Agreements which are fully collateralized and are as authorized under Section 2256.011 Public Funds Investment Act.
- 7) Commercial Paper as authorized under Section 2256.013 Public Funds Investment Act.
- 8) No-Load AAA Rated Money Market Mutual Funds as authorized under Section 2256.014 Public Funds Investment Act.
- 9) Investment Pools as authorized under Section 2256.016 Public Funds Investment Act and, provided the Investment Pools are in compliance with the requirements of the Public Funds Investment Act and, provided objectives of the pool include a stable net asset value of \$1.00.
- 10) FDIC insured *Brokered Certificates of Deposit* purchased from a broker or a bank in Texas, delivered versus payment to the city's safekeeping agent, not to exceed one year to maturity. Before purchase, the Investment Officer must verify before purchase the FDIC status of the bank on [www.2fdic.gov/idasp/main\\_bankfind.asp](http://www.2fdic.gov/idasp/main_bankfind.asp) to assure that the bank is FDIC insured.

#### **B. Unacceptable Investments**

This Policy bestows the authority upon the Investment Officer to determine certain investment instruments as unsuitable for the City even though those investments may be authorized by this Policy and/or the Public Funds Investment Act. Additionally, certain investments are expressly prohibited by the Public Funds Investment Act.

An investment that requires a minimum rating under this Policy and/or the Public Funds Investment Act does not qualify as an authorized investment during the period the investment does not have the minimum rating. The City shall take all prudent measures that are consistent with its Investment Policy to liquidate an investment that does not have the minimum rating.

The Investment Officer shall monitor, on no less than a monthly basis, the credit rating on all authorized investments in the portfolio based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by Policy, the Investment Officer shall immediately solicit bids for and sell the security, if possible, regardless of a loss of principal.

The Investment Officer shall monitor, on no less than a monthly basis, the status and ownership of all banks issuing brokered CDs owned by the city based upon information from the FDIC. If any bank has been acquired or merged with another bank in which brokered CDs are owned, the Investment Officer shall immediately contact the banks and liquidate any brokered CD which is above the FDIC insurance level.

**C. Protection of Principal**

The City shall seek to control the risk of loss due to the failure of a security issuer or grantor. Such risk shall be controlled by investing only in the safest types of securities as defined in this Policy; by qualifying the broker, dealer and financial institution with whom the City will transact; by collateralization as required by law; and through portfolio diversification by maturity and type.

The purchase of individual securities shall be executed “delivery versus payment” through the City’s safekeeping agent. By so doing, City funds are not released until the City has received, through the safekeeping agent, the securities purchased.

**D. Diversification by Investment Type**

Diversification by investment type is primarily intended to reduce the credit risk inherent to a particular issuer or investment type. The City will diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, and the percentage limitations listed below, no more than 50% of the City’s total investment portfolio will be invested in a single security type or with a single financial institution.

<u>Investment Type</u>	<u>Portfolio Limitation</u>
1) U.S. Government Agencies and Instrumentalities	50%
2) States and their Agencies, Counties, Cities and Other Political Subdivisions of a State.....	35%
3) Commercial Paper .....	20%

Bond proceeds may be invested in a single security or investment if the Investment Officers determine that such an investment is necessary to comply with Federal arbitrage restrictions or to facilitate arbitrage recordkeeping and calculation.

**E. Diversification by Investment Maturity**

In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. Maturity guidelines by fund are as follows:

- 1) Operating Funds

Maturity Limitation: The weighted average days to maturity for the operating fund portfolio shall be less than 360 days and the maximum allowable maturity shall be three years.

## 2) Capital Project Funds

Maturity Limitation: Funds used for construction programs have reasonably predictable draw down schedules. Therefore, investment maturities shall generally follow the anticipated cash flow requirements. Bond proceeds (excluding reserve and debt service funds) shall generally be limited to the cash flow requirements or the “temporary period” as defined by Federal tax law. During the temporary period bond proceeds may be invested at an unrestricted yield. After the expiration of the temporary period, bond proceeds subject to yield restriction shall be invested considering the anticipated cash flow requirements of the funds and market conditions to achieve compliance with the applicable regulations.

## 3) Debt Service Funds

Debt Service Funds shall be invested to ensure adequate funding for each consecutive debt service payment.

Maturity Limitation: The Investment Officers shall invest in such a manner as not to exceed an “unfunded” debt service date with the maturity of any investment. An unfunded debt service date is defined as a coupon or principal payment date that does not have cash or investment securities available to satisfy said payment.

## 4) Debt Service Reserve Funds

Market conditions, Bond Ordinance constraints and Arbitrage regulation compliance will be considered when formulating Reserve Fund strategy.

Maturity Limitation: Maturities shall generally not exceed the call provisions of the Bond Ordinance and shall not exceed the final maturity of the bond issue. All Debt Service Reserve Fund investment maturities shall not exceed five years.

City funds that are considered “bond proceeds” for arbitrage purposes will be invested using a more conservative approach than the standard investment strategy when arbitrage rebate rules require refunding excess earnings. All earnings in excess of the allowable arbitrage earnings will be made available for any necessary payments to the U.S. Treasury.

## **VII. Relationships With Financial Institutions and Firms**

### **A. Depositories**

Depositories shall be selected through the banking service procurement process, which shall include a formal request for proposals no less than every five (5) years. In selecting the depository, the creditworthiness of institutions shall be considered and the Investment Officers shall conduct a comprehensive review of prospective depositories' credit characteristics and financial history. The City depository contract and other financial relationships for banking services are outside the scope of this Investment Policy.

### **B. Selection and Compliance of Investment Providers**

An investment firm offering to engage in an investment transaction with the City must execute a written instrument stating that the qualified representative has received and thoroughly reviewed the Investment Policy of the City. The qualified representative also must acknowledge that the firm has implemented reasonable procedures and controls to preclude transactions conducted between the City and the firm that are not authorized by the City's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio, or requires an interpretation of subjective investment standards.. The Investment Officers may not acquire or otherwise obtain any authorized investment from a person who has not delivered to the City an instrument in substantially the form described above. The following institutions or firms may qualify under this section:

- 1) Security Dealers and Dealer Banks which are the approved and designated Dealers of the Federal Reserve Bank of New York "Primary Dealers".
- 2) Security Dealers, Dealer Banks and Savings and Loans which are not designated as "Primary Dealers" but which are approved individually by the City Council.
- 3) Banks and Savings and Loans Associations domiciled in the State of Texas (for the placement of insured and collateralized certificates of deposit).

Addendum A is the list of brokers/dealers who have qualified and are hereby approved to conduct business with the City as required by Section 2256.025 of the Public Funds Investment Act. The qualified broker/dealer list must be reviewed and approved at least annually.

## **VIII. Custodial Safekeeping**

To protect against potential fraud and embezzlement, investments shall be secured through third party custody and safekeeping procedures. All security purchases and trades conducted for the City of Round Rock will be settled and protected by the City's third party custodial agent.

The City shall contract with a third party custodial agent for the safekeeping of securities either owned by the City as part of its investment portfolio or held as collateral to secure deposits or

repurchase agreements. The use of the Delivery Versus Payment (DVP) procedure will be continually used for investment securities transactions, purchases and sales. The City shall authorize the release of DVP funds only after its safekeeping agent has received securities or receipt for same into the City's safekeeping account.

Safekeeping procedures shall be reviewed annually by the independent auditor.

## **IX. Depository and Contractual Trading Requirements**

### **A. Wire Transfer Authorizations**

Whenever possible, the City will use pre-formatted wire transfer to restrict the transfer of funds to pre-authorized accounts only. Dual authorization forms shall be in continual use for all wire transfers. Secondary authorization for all wires will be required by the City.

### **B. Collateralization Requirement**

The City, in accordance with state statute, requires all City funds held by financial institutions above the FDIC insurable limit to be collateralized with securities pledged to the City. Those securities shall have a market value equaling at least 102% of the market value of City funds held and shall be placed with a third party custodial agent. *Collateral may be substituted or released only with the written authorization of an Investment Officer.* Allowable collateral may consist of those securities or instruments permitted as suitable investments under the Public Funds Collateral Act (Texas Government Code, Ch. 2257)

Financial institutions serving as City Depositories will be required to sign a Depository Agreement with the City. The "Security for Deposits" portion of the Agreement shall define the City's rights to the collateral in case of default, bankruptcy or closing and shall establish a perfected security interest in compliance with Federal and State regulations, including:

1. the Agreement must be in writing
2. the Agreement has to be executed by the Depository and the City contemporaneously with the acquisition of the asset;
3. the Agreement must be approved by the Board of Directors or the loan committee of the Depository and a copy of the meeting minutes must be delivered to the City;
4. the Agreement must be part of the Depository's "official record" continuously since its execution.

## **X. Portfolio Valuation and Reporting**

### **A. Reporting**

As required by law, the Investment Officers shall submit a written investment report, prepared in accordance with GAAP, signed by each Investment Officer of the City within a reasonable time after the end of each fiscal quarter to the City Council detailing the investment position for the previous quarter. Quarterly market values will be obtained from the City's financial advisor, or other source believed to be reliable, in order to monitor the portfolio's position.

- 1.) For pooled investments -
  - a. the report must state the beginning book value and market value of the pool portfolio for the reporting period,
  - b. changes to the book value and market value during the reporting period
  - c. the ending book value and market value of the portfolio and
  - d. the fully accrued interest for the reporting period.
- 2.) For separately invested assets -
  - a. the report must state the book value and market value for each investment at the beginning and end of the reporting period
  - b. the report also must disclose the stated maturity date for each separate investment and must show the specific fund from which moneys were received to purchase the investment.
- 3.) The report must state compliance of the investment portfolio with the City's Investment Strategy and relevant provisions of the Public Funds Investment Act.

### **B. Internal Controls**

The Investment Officers shall establish a system of internal controls, which shall be documented in writing and reviewed periodically by the City auditors. The controls shall be designed to prevent and control losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions. Dual controls of all investment activities will consistently be maintained by the Investment Officers.

The Investment Officers shall develop and maintain written administrative procedures for the operation of the investment and cash management program, consistent with this Investment Policy.

### **C. External Audit**

In accordance with the Public Funds Investment Act, in conjunction with the City's annual financial audit, a compliance audit of management controls on investments and adherence to the City's established investment policies shall be performed. An annual review of the City's

quarterly reports will also be performed by an independent auditor with the results being presented to the City Council.

## **XI. Quality and Capability of Investment Management**

### **A. Training**

It is the City's policy to provide training required by the Public Funds Investment Act Section 2256.008(a)(2) through courses and seminars offered in compliance with the Act in order to insure the quality and capability of the Investment Officers in making investment decisions.

### **B. Limitation of Liability**

The Investment Officers acting in accordance with this Policy and the City's Investment Strategy and exercising due diligence shall be relieved of personal responsibility for an individual security's performance provided that deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse development.

### **C. Ethics**

The Investment Officers involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Furthermore, in accordance with the Public Funds Investment Act, an Investment Officer who has a personal business relationship with a firm or is related to individuals seeking to sell to the Investment Officer must disclose such relationships in accordance with Section 2256.005 of the Public Funds Investment Act.

## **XII. Review and Amendment**

This Policy shall be reviewed annually by the City Council. Amendments must be approved by the Investment Officers and adopted by the City Council.

## **XIII. Conclusion**

The Investment Officers will adhere to this Investment Policy in all investment decisions for the City of Round Rock, Texas. The City will review the Investment Policy every year because of the dynamic nature of the financial markets. If changes are necessary because of changes to the financial markets and State law, the City Council will consider the changes recommended by the Investment Officers.

**City of Round Rock, Texas**  
**Investment Strategy**

In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. The investment strategy for all funds is established according to the following priorities:

- 1) Investment suitability
- 2) Preservation and safety of principal
- 3) Liquidity
- 4) Marketability prior to maturity of each investment
- 5) Diversification
- 6) Yield

Investment guidelines by fund-type are as follows:

**1. Operating Funds**

The current operating funds are used for day-to-day operating activities and, accordingly, require short-term liquidity.

Suitability - Any investment eligible in the Investment Policy is suitable for the Operating Funds.

Safety of Principal - All investments are to be of high quality instruments with no perceived default risk. Market price fluctuations will, however, occur. By managing the weighted average days to maturity for the Operating Funds portfolio to less than 360 days and restricting the maximum allowable to three years, the price volatility of the overall portfolio will be minimized.

Marketability - Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. An efficient market is generally defined as a bid-asked price relationship being no greater than 1/4 of 1 percent of principal value.

Liquidity - Short term investment pools and money market mutual funds shall provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments. Reserves established in accordance with the City's cash reserves policy or designated for specific purposes and time frames may be invested for longer terms

Diversification - Diversified investment maturities shall provide monthly cash flow based on the anticipated operating needs of the City. Short term investment pools, money market mutual funds and staggered maturities of securities shall provide timely liquidity and may be utilized.

Yield - Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The comparative yield of a like-term treasury bill shall be the minimum yield objective.

## **2. Debt Service Funds**

Suitability - Any investment eligible in the Investment Policy is suitable for the Debt Service Funds.

Safety of Principal - All investments are to be of high quality instruments with no perceived default risk. Market price fluctuations will, however, occur. By managing the Debt Service Fund's portfolio to not exceed the debt service payment schedule, the market risk of the overall portfolio will be minimized.

Marketability - Securities with active and efficient secondary markets are not necessary as the event of an unanticipated cash requirement is not probable.

Liquidity - Short term investment pools and money market mutual funds shall provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

Diversification - Short term investment pools, money market mutual funds and staggered maturities of securities shall provide timely liquidity and may be utilized.

Yield - Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The comparative yield of a like-term treasury bill shall be the minimum yield objective.

## **3. Capital Project Funds**

Suitability - Any investment eligible in the Investment Policy is suitable for the Capital Improvement Funds.

Safety of Principal - All investments are to be of high quality instruments with no perceived default risk. Market price fluctuations will, however, occur. By managing the Capital Project Fund's portfolio to anticipate the construction and or acquisition cash flow requirements, the market risk of the overall portfolio will be minimized.

Marketability - Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement.

Liquidity - Funds used for construction programs have reasonably predictable draw down schedules. Therefore, investment maturities shall generally follow the anticipated cash flow requirements. Because of the potential for variance from the anticipated draw down schedule and actual expenditures most investment securities shall have active and efficient secondary markets. Investment pools and money market mutual funds are suitable for providing readily available funds.

Diversification - Diversified investment maturities shall provide monthly cash flow based on the anticipated operating needs of the City. Short term investment pools, money market mutual funds and staggered maturities of securities shall provide timely liquidity and may be utilized. Bond proceeds may be invested in a single security or investment if the Investment Officers determine that such an investment is necessary to comply with Federal arbitrage restrictions or to facilitate arbitrage recordkeeping and calculation.

Yield - Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The comparative yield of a like-term treasury bill shall be the minimum yield objective.

#### **4. Debt Service Reserve Funds**

Suitability - Any investment eligible in the Investment Policy is suitable for the Debt Service Funds. Bond ordinance constraints and insurance company restrictions may create issue-specific considerations in addition to the Investment Policy.

Safety of Principal - All investments are to be of high quality instruments with no perceived default risk. Market price fluctuations will, however, occur. By managing the Debt Service Reserve fund's portfolio to not exceed five years or maturity provisions or, generally, the call provisions of the bond issue, the market risk of the overall portfolio will be minimized.

Marketability - Securities with active and efficient secondary markets are not necessary for Debt Service Reserve funds.

Liquidity - Debt Service Reserve funds have no anticipated expenditures. Therefore, liquidity up to the maturity date or call date is of minor importance.

Diversification - Market conditions and the arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for Debt Service Reserve funds. At no time shall the final debt service payment date of the bond issue be exceeded in an attempt to bolster yield.

Yield - Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The comparative yield of a like-term treasury bill shall be the minimum yield objective. Arbitrage regulations should be heeded in investing for yield

## Addendum A

### CITY OF ROUND ROCK, TEXAS AUTHORIZED LIST OF BROKER/DEALERS

1. First Southwest Company  
325 North St. Paul Street, Suite 800  
Dallas, TX 75201-4652  
877-887-3792
2. Frost Capital Markets  
100 West Houston Street  
San Antonio, TX 78296  
800-438-4891
3. Cantor Fitzgerald \*  
14185 Dallas Parkway, Suite 870  
Dallas, TX 75254  
800-883-6332
4. Coastal Securities  
5555 San Felipe, Suite 2200  
Houston, TX 77056  
800-681-4121
5. RBC Capital Markets, LLC \*  
2711 N. Haskell Avenue, Suite 2500  
Dallas, TX 75093  
866-410-5833
6. Duncan-Williams, Inc.  
9801 Westheimer #302  
Houston, TX 77042  
800-266-5652
7. Vining-Sparks IBG, L.P.  
775 Ridge Lake Boulevard  
Memphis, TN 38120  
800-829-0321

\* Federal Reserve Primary Dealer