

Firm Brochure: Part 2A of Form ADV

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The Patterson Capital Corporation

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This Annually Updated firm brochure provides information about the qualifications and business practices of The Patterson Capital Corporation ("Patterson Capital"). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

This brochure contains narrative disclosures relating to the 18 topics or "items" specified by the SEC (plus one additional topic). Though all adviser brochures must address the same 18 required items, all of those items may not pertain to all advisers. Where a particular topic is not relevant to Patterson Capital, we list the item and explain why it is not applicable.

If you have any questions about the contents of this brochure please contact us at the above telephone number or email address. Current clients, of course, are encouraged to contact firm personnel with whom they normally communicate. Additional information about the firm also is available from the SEC's website at www.adviserinfo.sec.gov. Our website (www.pattersoncapital.com) currently consists of one page generally describing the firm and its services.

Item 2: Material Changes

There have been no material changes since the last annual update to the firm's brochure.

(Space Reserved)

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Item 4: Advisory Business

OWNERSHIP/MANAGEMENT

The Patterson Capital Corporation* was founded in Los Angeles, California in October 1977, and the firm has provided continuous advisory services since that time to a national roster of clients. Joseph Bohen Patterson, our principal owner, serves as the firm's chief executive officer (President), chief investment strategist and one of the firm's portfolio managers. Our senior management team has been in place since 1983, enabling us to provide clients with an experienced and consistent approach to both portfolio management and client service.

INVESTMENT SERVICES

We exclusively offer discretionary management of fixed-income portfolios for institutional clients. Except when prohibited by client restrictions, we invest in all fixed-income sectors, including corporate debt securities, United States government securities, ERISA-eligible AAA commercial mortgage-backed securities, asset-backed securities (AAA credit card and automobile receivables), and high-grade money markets.

Clients may impose investment restrictions regarding certain companies that issue fixed-income securities (for example, firms that manufacture tobacco products) and certain types of fixed-income securities (such as private placements). These common restrictions do not interfere with our ability to properly manage client portfolios; however, we reserve the right to refuse to enter into or continue an investment advisory relationship with a client seeking to impose restrictions that, in our judgment, would interfere with our professional responsibilities.

In order to meet the individual investment goals of our clients, Patterson Capital offers a high quality, multiple-product line covering all maturities and available sectors. Furthermore, we actively manage all aspects of portfolio composition: sector, issue, duration, yield curve, and quality. In constructing a portfolio, the client's choice of benchmark is viewed as indicative of their risk tolerance in terms of maturity/duration, sector, yield curve, and quality. By selectively choosing which components to overweight or underweight, and when it is appropriate to do so, the firm's goal is to produce returns that exceed those of the benchmark and minimize tracking error vs. that benchmark.

WRAP FEE PROGRAMS

Patterson Capital does not sponsor, manage or participate in wrap fee programs.

* This brochure refers to The Patterson Capital Corporation as "Patterson Capital", "the firm", and by the pronouns "we", "us", or "our". Also, we refer to current and prospective clients, collectively, as "clients", "you", or "your".

ASSETS UNDER MANAGEMENT

As of December 31, 2011, Patterson Capital managed client assets valued at \$1,399,900,000 (1.3999 billion). All of our client assets are managed on a discretionary basis.

Item 5: Fees and Compensation

FEE ARRANGEMENTS

We charge fees as a percentage of assets under management. Our fee schedules are based upon the investment management strategy selected by the client and the amount of assets under management. In addition to the strategies listed below, we also offer individualized fixed-income strategies that may involve fee arrangements not covered by our standard fee schedules. The firm's current standard fee schedules, which may be subject to negotiation in some instances, are as follows:

Enhanced Short Maturity/Short Intermediate Maturity

	To An Asset Total of
.25 of 1% on the first \$25 million.....	\$25 million
.20 of 1% on the next \$25 million.....	\$50 million
.17 of 1% on value in excess of.....	\$50 million

Intermediate/Active Core Strategies

	To An Asset Total of
.50 of 1% on the first \$25 million.....	\$25 million
.375 of 1% on the next \$25 million.....	\$50 million
.25 of 1% on value in excess of.....	\$50 million

Multi-Discipline Strategy (Fixed Income)

	To An Asset Total of
.33 of 1% on the first \$25 million.....	\$25 million
.25 of 1% on the next \$25 million.....	\$50 million
.20 of 1% on value in excess of \$50 million.....	on balance

We bill all clients on a quarterly basis. Some clients instruct us to forward our fee invoices directly to their custodian, in which event we prefer that the custodian receives client authorization to pay the invoice before deducting funds from the client account for that purpose, though occasionally a client will instruct its custodian to deduct and pay our fee from the client's account without prior client approval. However, we do not maintain any custodial accounts or charge any custodial fees.

Normally we ask clients to pay our advisory fees for each quarterly billing period in advance of services provided, though some clients have negotiated to pay in arrears. If a client that pays fees in advance terminates its advisory contract before the end of a quarterly billing period, the client will receive a refund of all unearned fees. We calculate the amount of unearned fees at a per diem rate, starting with the first day that Patterson Capital is no longer managing the client's assets, and multiply the per diem rate by the number of days remaining in the quarterly billing period to arrive at the refund amount.

OTHER COMPENSATION

We do not accept sales charges, service fees or other compensation for the sale of securities or other investment products.

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

We do not accept performance-based fees or manage any accounts that are charged performance-based fees.

Item 7 Types of Clients

Patterson Capital offers investment advisory services to pension and profit-sharing plans, hospital and insurance reserves, Taft-Hartley accounts, corporate cash accounts, trusts and other charitable entities, and investment companies.

Generally, our minimum account size is \$10 million. However, this minimum may be negotiated and has been waived on occasion.

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

ANALYSIS AND INVESTMENT STRATEGIES

Patterson Capital's investment approach is consistent across all products, including custom designed strategies.* Our strategies include all fixed income sectors, and maturities out to 30 years or more. We take an active approach to fixed-income management that is designed to control portfolio risk, preserve

* Except the Multi-Discipline Strategy, which utilizes specific duration-management guidelines that are not applicable to the firm's other investment products.

capital in down markets, and provide clients with the income and liquidity they require. We emphasize both fundamental and quantitative considerations. On the fundamental side we consider growth, inflation data and Federal Reserve policy. We collect raw statistical data from various available sources (Bloomberg, WSJ, Bureau of Labor Statistics, etc.), which is plotted in graphic format either independently or in comparison to other data. We also plot this economic data against historical yields in the bond market. On the quantitative side we look at quantitative indicators on various securities (Treasuries, agencies, corporates) and benchmark indices. We have used these momentum indicators in many of our sector and duration moves over the last few years.

The process our portfolio managers use to make investment decisions is very disciplined and straightforward: Rather than economic forecasting, their decisions regarding portfolio structure (e.g., duration, sector exposure, quality, sell decisions, etc.) rely upon analysis of market trends such as the trend in interest rates, sector spreads and credit quality. Our analysis of market trends includes observation of fixed-income securities, money markets, fixed-income indices, global issues, currencies and key economic indicators. Analytical systems enable our portfolio managers to perform long-term studies of interest rate trends, yield trends, credit trends and economic trends, including the ability to overlay various technical indicators. We also capture data relating to market sectors, equities, commodities and financial futures. Portfolio managers supervise the collection of data and access the resulting analyses from each of their workstations.

RISK OF LOSS

Investing in fixed-income securities involves risk of capital loss that clients should be prepared to bear. In our fiduciary role as managers of client assets, we are very mindful that our clients have entrusted their assets to us and expect us to invest their assets using safe, prudent and understandable methods. Preservation of principal is as important to us as it is for our clients. Any form of risk management is dependent upon a thorough knowledge of the structure of each portfolio and the client's investment guidelines in order to determine where the portfolio may be at risk. The material categories of risk associated with fixed-income investing include:

1) Interest Rate Risk

Interest rate fluctuations may affect a security's yield, which could affect its price. As interest rates rise, a bond's market value declines. To mitigate principal losses, we monitor internal market technical indicators, the activity of the Federal Reserve, and the overall economic climate. We also consider market quantitative indicators which, when viewed in the context of the current market environment (Fed Policy, inflation, GDP, etc.), serve as the basis of our interest-rate assessments. For example, in trending periods, particularly when the Fed is actively raising rates, we may shorten the duration of client portfolios.

2) Liquidity Risk

Liquidity is very important to our client base. Consequently, we have always focused on being able to provide very high levels of same day and next day liquidity. In order to ensure liquidity we analyze security quality, size, market depth and portfolio structure. Our portfolios have an average quality of “A” and the securities in most of our portfolios are investment grade (nothing below “BBB”). Our minimum corporate issue size must be at least \$250 MM, though most bonds we purchase are in the \$250 - \$1,000 MM range, and are included in the major fixed income indices. However, market conditions that diminish a security’s liquidity may occur while it is being held in client portfolios. To protect against loss of liquidity, we monitor those market conditions and employ a disciplined sell methodology. Moreover, our asset size—and the fact that we manage only separate accounts—allows us to move quickly when trading for our accounts and/or providing immediate cash to clients.

3) Credit Risk

The inability of a bond issuer to meet its loan obligations may result in a declining market value for its securities. We manage credit risk by employing an oversight process and disciplined buy/sell methodology, which, in addition to the factors mentioned above, includes:

- Viewing the yield spread premium to Treasuries as a key determinant of value.
- Examining research from rating agencies and major Wall Street firms, with particular attention to any negative credit developments.
- Limiting exposure to issuers with lower-rated credit.
- Avoiding bonds with negative outlook or downgrade-watch when buying lowest credits.
- Monitoring credit default swap on issuers.
- Monitoring negative stock performance related to issuers.
- Assessing trading liquidity and negative market psychology related to issuers.
- Monitoring security downgrades below permissible guideline parameters.

4) Prepayment Risk

Prepayment risk, as it applies to mortgage holdings, is most worrisome at very low interest rates. This risk diminishes at higher interest rates when mortgage holdings can be purchased at a discount and paid off at par (\$100). Mortgage durations can shift very quickly in a trending market, as interest rates rise and fall. We, therefore, pay close attention to changing mortgage durations and typically recalibrate mortgage-backed security (MBS) durations a few times a month.

5) Structural Risk

Structure of the portfolio vs. its index must be quantified and understood in order to construct a portfolio of notes and bonds which is designed to outperform the index. Without employing such structural analysis, significant deviation from the index is likely to occur, which could be negative as well as positive. To avoid this risk, we use internally designed structure reports and graphs that quantify and compare our portfolios to their appropriate indices. Our decisions about sector, issuer, quality, yield curve, maturity and duration exposure are informed by analysis of this data. The reports assist us in making structural modifications to the portfolios and in performance attribution analysis.

Item 9 Disciplinary Information

There are no material legal or disciplinary events involving Patterson Capital or its management persons.

Item 10 Financial Industry Activities and Affiliations

We are independently owned and neither Patterson Capital nor any of its management persons are engaged in any other financial industry activities or affiliated with any broker-dealers or other persons or firms engaged in the financial industry.

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

CODE OF ETHICS OVERVIEW

Patterson Capital's Code of Ethics is based on the principle that our employees owe an overarching fiduciary duty to the firm's clients. Our Code requires that employees avoid both actual and apparent conflicts of interest, whenever possible, and disclose any conflicts that are impossible to avoid. Specifically, our Code prohibits employees from using knowledge about client trades to benefit themselves or other persons, benefiting from selection of broker-dealers for trades, engaging in personal transactions with firm clients, and engaging in outside business activities inconsistent with the interests of our client accounts.

Our code also prohibits unauthorized disclosure of confidential client information and insider trading, and contains the firm's gifts and entertainment policy.

Finally, our Code details oversight procedures to ensure compliance, provides a protocol for reporting violations, and describes recordkeeping requirements that the firm must observe.

We will provide a copy of our Code of Ethics to any client or prospective client upon request. To request a copy, please contact us at the telephone number or email address listed on the cover of this brochure.

PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

Patterson Capital does not buy securities from clients or sell securities to clients, invest in the same securities that we buy or sell for client accounts, or have any other material financial interest in securities that we buy or sell for client accounts.

PERSONAL TRADING

Patterson Capital's Code of Ethics prohibits our employees from making personal security trades that might compete with trades for client accounts, such as trades involving corporate bonds and non-governmental debt securities held in any client accounts. On the other hand, we do not restrict or impose "blackout" periods on personal trading activities involving equity securities, Treasuries, money market funds and open-end mutual funds, because there is such a low probability that employee transactions involving those security categories could affect the market value of the fixed-income securities traded for our clients' accounts or provide any benefit to employees arising from client transactions.

Item 12 Brokerage Practices

IN GENERAL

Patterson Capital trades with independent securities dealers on a principal basis, and does not employ brokerage services. Therefore, the costs you pay for securities we purchase for your account and the proceeds you receive for securities we sell for your account are net of brokerage commissions and other trading fees, unless you have a client-directed arrangement that results in such charges (see "Client-Directed Trading Arrangements", below). The following disclosures relate to our *trading practices* that are analogous to the *brokerage practices* identified by the SEC for disclosure in this Item.

SELECTION OF BROKERS-DEALERS FOR CLIENT TRADES

We trade with qualified dealers making a market for the fixed-income securities listed in Item 4 (“Advisory Business – Investment Services”). Within that group of Primary Dealers, other national dealers and major regional dealers, our selection of dealers for client trades is determined solely by best execution considerations to ensure that our clients’ costs or proceeds will be the most favorable available under the circumstances.

SOFT DOLLAR BENEFITS and ADVISER-DIRECTED TRADING ARRANGEMENTS

Patterson Capital does not have any “soft dollar” arrangements or adviser-directed trading arrangements. Some of the broker-dealers with whom we trade provide proprietary research reports and products (such as trading news, analysis, bond-market prices and data) free-of-charge to institutional trading relationships like Patterson Capital. However, we do not subsidize those research reports or products by paying higher security prices or executing any particular quantity of trades with any particular dealers. Moreover, we do not consider the receipt of such reports or data in deciding which dealers to select for client trades. We execute trades with dealers submitting the best bids/offers, so that your cost or proceeds will be the most favorable available under the circumstances.

CLIENT-DIRECTED TRADING ARRANGEMENTS

We have some clients that have directed us to trade with particular broker-dealers with whom the clients have commission or spread recapture arrangements, *subject to best execution considerations*.

We also have one client that has directed us to execute all trades on its account with a particular broker-dealer, *regardless of best execution considerations*. Since we do not solicit competing bids and offers for that client’s trades, there is a risk that client may receive less favorable net prices than our other clients whose trades are executed pursuant to our best execution practices. We have disclosed this risk in our advisory agreement with that client.

AGGREGATED (BLOCK) TRADES

Most of our clients have adopted as performance benchmarks a handful of Barclays or Merrill Lynch fixed-income indices that have become standard benchmarks for the fixed-income marketplace. As client accounts managed against the same or similar benchmarks will have the same or similar holdings, we will, from time to time, buy or sell the same securities for more than one account. On such occasions, we execute aggregated (“block”) trades for multiple accounts consistent with our best execution duty to ensure that each client’s costs or proceeds will be the most favorable available under the circumstances. Unlike a batched equity order which may be filled at different prices, our block trades are executed at a single price, so there is no need to average transaction prices in order to avoid price advantage or disadvantage to the various accounts covered by the trade.

CONFLICTS OF INTEREST

We have not identified any conflicts of interest arising from our trading practices. Where we have the authority to select broker-dealers for client trades, our only interest is to ensure that our client's transaction costs or proceeds will be the most favorable available under the circumstances.

Item 13 Review of Accounts

On a daily basis our portfolio managers review portfolio composition (duration, maturity, sector exposure, yield, etc.), and our portfolio administrators help in the review of cash balances, unsettled trades, cash flows, interest accruals and receipts, and principal payments. We use automated daily internal reports in this process, as well as ad hoc portfolio reports and transaction inquiries as necessary. On a monthly basis our portfolio managers prepare and review an extremely detailed profile of each portfolio. This profile details portfolio maturity and duration structure, sector and credit exposure, and coupon distribution, among other things. Also, each quarter a portfolio manager conducts an audit of account holdings to ensure compliance with account Guidelines, and members of our compliance staff review the quarterly Guideline Audit reports.

We send each client a monthly letter summarizing major market trends and market events. We also send you (for each account) a monthly written statement reflecting month-end account holdings and transactions. As noted in Item 15 ("Custody"), we urge you to carefully compare the monthly statements we send you with the account statements you receive from the bank or brokerage firms that maintain custody of the assets in your account(s).

In addition to these monthly reports, traditionally we visit each client for a formal one-on-one servicing meeting at least once a year, and more often if requested. On each occasion we provide a written portfolio review report custom-tailored to your individual needs. The portfolio review contains an asset report as well as comprehensive information regarding the portfolio's performance and composition, displayed in a readable format using color graphics. We also are available by telephone at your convenience for additional portfolio reviews or to discuss any issues related to your portfolio.

Item 14 Client Referrals and Other Compensation

We do not compensate any person (other than our employees) for client referrals, and we do not receive compensation for our advisory services from anyone other than our clients.

Item 15 Custody

We do not maintain actual custody of any client funds or securities, and we do not open custodial accounts on behalf of our clients. However, as noted above in Item 5 (“Fees”), Patterson Capital occasionally has “constructive” custody when a particular client gives its custodian blanket authority to deduct our advisory fees from the client’s account based solely upon the calculations in our fee invoices, and to remit those fees to us without specific client approval of each quarterly invoice. When we have constructive custody as a result of such direct fee-deduction arrangements, we confirm that the client’s custodian actually sends the client (or that the client actually downloads from the custodian’s website) custodial statements no less often than quarterly reflecting all account holdings and transactions for the statement period.

We urge you to carefully compare the monthly statements we send you with the account statements you receive from the bank or brokerage firms that maintain custody of the assets in your account(s).

Item 16 Investment Discretion

Our investment advisory service exclusively involves discretionary management of fixed-income portfolios for institutional clients. The advisory agreement we enter into with each client contains the grant of our discretionary authority, which is expressly subject to the specific investment guidelines and policies adopted by the client. We do not ask clients to execute separate powers of attorney for that purpose.

Our clients commonly impose limitations on our discretionary authority involving certain types of securities and/or certain types of issuers. As examples of the former category, all of our clients prohibit us from investing in Equities and many of our clients prohibit us from investing in Options or Private Placements. As an example of the latter, some clients prohibit us from investing in securities issued by companies involved in the tobacco industry. These common restrictions do not interfere with our ability to properly manage client portfolios; however, we reserve the right to refuse to enter into or continue an investment advisory relationship with a client seeking to impose restrictions that, in our judgment, would interfere with our professional responsibilities.

Item 17 Voting Client Securities

As Patterson Capital manages only fixed-income (debt) portfolios, we never receive proxy voting materials related to the securities held in our managed client accounts.

On the other hand, our clients typically authorize their securities' custodians to sweep cash balances into interest-bearing shares in STIF (Short-Term Investment Fund) money market funds, and we occasionally receive proxy materials regarding client shares in those STIF funds. However, because we do not manage, or participate in the selection of, STIF funds for the short-term investment of client cash balances, **we do not vote STIF proxies**. Instead, we will forward such proxy materials to the client or its consultant by certified mail, return receipt requested, unless the final date for submission of the proxy already has expired when received by us.

Item 18 Financial Information

There is nothing about Patterson Capital's financial condition that would be likely to impair our ability to meet the firm's contractual commitments to our clients.

Item 19 Class Actions and Other Legal Proceedings

From time to time Patterson Capital receives notice of legal proceedings involving securities held or formerly held in a client's account. Typically, those legal proceedings include class action lawsuits and bankruptcies. Patterson Capital does not provide legal advice or legal opinions regarding filing deadlines, litigation merits, the advisability of participating in a proposed settlement or any other matters, and we do not file claims or take other actions with respect to such legal proceedings. Instead, we will forward initial litigation notices to all affected clients and/or former clients by certified mail, return receipt requested. Of course, we also will provide information regarding the subject securities (e.g. CUSIP number, purchase and sale information, etc.) upon request.