

ITEM 1 **COVER PAGE**

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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. 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.

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, 2012. The office address changed in August 2013.

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, 2012, the firm managed \$ 4,765,615,633 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.

Patterson & 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 ladderred 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.