

# **Poseidon Capital Management, Inc.**

## **Part 2A Form ADV**

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Poseidon Capital Management, Inc. is an investment adviser that is registered with the United States Securities and Exchange Commission. Registration with the United States Securities and Exchange Commission does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Poseidon Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at (713) 621-7536 and/or Fingerint@aol.com. 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 Poseidon Capital Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Material Changes**

Because much of the information in this Part 2A of Form ADV is additional information not previously provided in our Part II of Form ADV, we recommend that you read this Part 2A of Form ADV in its entirety.

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## **ADVISORY BUSINESS**

### **Advisory Firm Description**

Poseidon Capital Management, Inc. ("Poseidon" or the "Firm") has been in business since December 28, 1996. The principal owners are Jonathan Finger, Richard Finger and Walter Finger.

### **Types of Advisory Services**

Poseidon provides investment management services for clients. The Firm tailors each client's portfolio to his/her investment objective and risk tolerance. Poseidon provides investment management services to Finger Interests Number One, Ltd., an affiliated family limited partnership.

### **Tailored Advisory Services**

Clients may restrict Poseidon from trading in a particular investment, or from participating in a particular sector by advising the Firm in writing. These restrictions may be amended at any time by informing the Firm in writing.

### **Client Assets Under Management**

As of December 31, 2010, the Firm managed \$26.5 million on a discretionary basis and \$1.4 million on a non-discretionary basis.

## **FEES AND COMPENSATION**

Fees for investment management are assessed on a percent of assets basis, and are charged quarterly in arrears. Fees are deducted from client accounts. With a minimum account size of \$100,000, fees are charged at the annual rate of 1% of assets, based on the valuation of assets by the custodian at market close on quarter end, including accrued interest. Clients may also negotiate a flat fee for services, with the fee amount determined by the complexity of the portfolio, frequency of communications required from the Firm, special reporting requirements, and any other issues the Firm deems significant. Flat fees are also charged quarterly in arrears. Fees are negotiable, so clients receiving the same service from the Firm may be paying different fees.

Assets deposited into an account during a quarter are charged a pro rata basis, determined by the number of days remaining in the quarter.

Finger Interests Number One, Ltd., pays a flat fee to Poseidon.

### **Other Fees**

The client pays any transaction, exchange or other fees charged by the custodian or broker/dealer. When Poseidon recommends a mutual fund for a client's account, three separate fees may be charged to the client, either directly or indirectly. The first fee is Poseidon's investment management fee where the fund is included in the asset base for the quarterly fee calculation. The second is the set of internal fees charged by the investment company for the fund's investment management, marketing, administration

and marketing assistance. These internal expenses are disclosed in each fund's prospectus which is provided to each client by the custodian. (This set of fees also applies to any money market fund purchased in the client's account.) The third fee may be a transaction fee which is assessed by the custodian for its service of providing access to a universe of mutual fund families through one account. To avoid such fees a client would be required to open a separate account with each individual mutual fund company instead of using the custodian recommended by the Firm, which would also negatively affect Poseidon's ability to deliver its services efficiently. Not all mutual fund trades enacted by Poseidon incur this transaction fee. When recommending mutual funds for client portfolios, Poseidon only recommends no-load funds.

Neither Poseidon nor any of its principals or employees receives any compensation for the sale of securities or other investment products.

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

This section does not apply to Poseidon, as it does not collect fees on capital gains from any client.

## **TYPES OF CLIENTS**

Poseidon provides investment advisory services to:

- Individuals
- High net worth individuals
- Trusts, estates or charitable organizations
- Corporations and other businesses
- Family partnerships

The general investment minimum required of a managed account (or the family limited partnership is \$100,000), with accounts of related persons or entities grouped for purposes of meeting this minimum. Poseidon has the discretion to accept investments for lesser amounts.

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

Poseidon uses a combination of the following types of analysis in evaluating investments for client accounts:

- Fundamental—Analysis of financial attributes of a company, such as revenue growth, debt to equity ratio, inventory turnover, etc.
- Cyclical—Analysis based on business, industry, calendar or historical cycles

Poseidon uses the following sources of information in its analysis:

- Financial newspapers and magazines
- Research materials prepared by others
- Corporate rating services
- Annual reports, prospectuses, filings with the Securities and Exchange Commission
- Company press releases

The investment strategies Poseidon uses to implement investment advice include the following:

- Long-term purchases (securities held at least a year)
- Short-term purchases (securities sold within a year)
- Trading (securities sold within 30 days)
- Short sales
- Option writing, including covered options, uncovered options or spreading strategies

For a complete explanation of all relevant investment strategies and their associated risks, our clients should also review their investment advisory agreement, which may contain explanations of additional strategies, risks and other related details not discussed in this section.

Poseidon does not guarantee the future performance of the account or any specific level of performance, the success of any investment decision or strategy that the Firm may use, or the success of the Firm's overall management of the account. The client understands that investment decisions made for the client's account by the Firm are subject to various market, currency, economic, political and business risks, and that those investment decisions will not always be profitable. Investing in any security entails risk of loss.

More specifically, these risks include, but are not limited to:

- *Short Sales:* The accounts may effect short sales. Short selling is the practice of selling investments which are not owned by the seller, generally when the seller anticipates a decline in the price of the investments or for hedging purposes. To complete a short sale, the seller must borrow the investments from a third party in order to make delivery to the buyer. The seller generally will be required to pay a brokerage commission or interest which will increase the cost to the seller of selling such investments. Until the investments are replaced, the seller will be required to pay to the lender amounts equal to any dividends or interest which accrue during the period of the loan of the investments.

Under certain circumstances, including any U.S. or non-U.S. governmental or regulatory action which impacts short selling, an account may be prematurely forced out of a short position. The lender of a security used to cover a short position generally has the right to demand the return of the stock that has been loaned at any time. In such event, an account would be required to replace the borrowed securities by borrowing the securities from another lender. If the account were unable to replace the borrowed securities it would be required to close out the short position by buying the security in the market to make delivery. In such event, the account could incur a significant loss if the security sold short had increased in value.

- *Put and Call Options on Specific Investments:* The accounts may purchase exchange-listed and over-the-counter ("OTC") put and call options on specific investments. In addition, the accounts may write and sell covered or uncovered

call and put option contracts. A call option gives the purchaser of the option the right to buy, and obligates the writer to sell, the underlying investments at a stated exercise price at any time prior to the expiration of the option. Similarly, a put option gives the purchaser of the option the right to sell, and obligates the writer to buy, the underlying investments at a stated exercise price at any time prior to the expiration of the option. Options written by the account may be wholly or partially covered (meaning that the fund holds an offsetting position) or uncovered. Options on specific investments may be used by accounts to seek enhanced profits with respect to a particular investment. Alternatively, they may be used for various defensive or hedging purposes.

The use of put and call options may result in losses to the accounts, force the sale or purchase of portfolio investments at inopportune times or for prices higher than (in the case of put options) or lower than (in the case of call options) current market values, limit the amount of appreciation the accounts can realize on its investments or cause the funds to hold an investment it might otherwise sell. For example, a decline in the market price of a particular investment could result in a complete loss of the amount expended by an account to purchase a call option (equal to the premium paid for the option and any associated transaction charges). An adverse price movement may result in unanticipated losses with respect to covered options sold by a fund. The use of uncovered option writing techniques may entail greater risks of potential loss to an account than other forms of options transactions. For example, a rise in the market price of the underlying investment will result in the account realizing a loss on the calls written, which would not be offset by the increase in the value of the underlying investments to the extent the call option position was uncovered.

## **DISCIPLINARY INFORMATION**

Neither Poseidon, nor any of its officers or principals has been involved in any investment-related criminal or civil actions in a domestic, foreign or military court.

Neither Poseidon, nor any of its officers or principals has been found (1) to have caused an investment-related business to lose its authorization to do business or (2) to have been involved in a violation of an investment-related statute or regulation and the subject of an order in connection with any administrative proceedings before the Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.

Neither Poseidon, nor any of its officers or principals has been involved in any self-regulatory organization proceedings.

## OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Jonathan Finger, President and Chief Compliance Officer of Poseidon Capital Management, Inc., is also an officer and shareholder of the general partner of Finger Interests Number One, Ltd.

Neither Poseidon, nor any of its officers or principals is registered as a broker-dealer or a representative of a broker-dealer or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Neither Poseidon nor any of its officers or principals is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or is an associated person of any of the above.

### Affiliations With Family Partnerships

Affiliates of Poseidon are also shareholders of Finger Interests Number One, Ltd. a family limited partnership which is a client of Poseidon. Although this arrangement may create potential conflicts of interest, the Firm manages any potential conflicts of interest by adhering to the investment strategy and investment allocation policy discussed in each fund client's offering documents

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

### Code of Ethics

Poseidon has adopted a Code of Ethics which describes the general standards of conduct that the Firm expects of all Firm personnel (collectively referred to as "employees"), including specific areas where employee conduct has the potential to adversely affect the client:

- Personal securities trading
- Outside business activities

Failure to uphold the Code of Ethics may result in disciplinary sanctions, including termination with the Firm. Any client or prospective client may request a copy of the Firm's Code of Ethics which will be provided at no cost, by contacting Jonathan Finger at 713.621.7536.

The following basic principles guide all aspects of the Firm's business and represent the minimum requirements to which the Firm expects employees to adhere:

- Clients' interests come before employees' personal interests and before the Firm's interests.
- The Firm must fully disclose all material facts about conflicts of interest of which it is aware between itself and clients as well as between Firm employees and clients.

- Employees must operate on the Firm's behalf and on their own behalf consistently with the Firm's disclosures and to manage the impacts of those conflicts.
- The Firm and its employees must not take inappropriate advantage of their positions of trust with or responsibility to clients.
- The Firm and its employees must always comply with all applicable securities laws.

### *Personal Securities Trading*

Poseidon or individuals associated with the Firm may buy, sell or hold in their personal accounts the same securities the Firm recommends to its clients. Such trades may occur after trades are placed on behalf of clients for that day, with the client receiving the same or better pricing. An officer, director or employee of Poseidon shall not purchase an IPO or private security without first checking with Mr. Jonathan Finger, the Firm's Chief Compliance Officer.

Employees are required to submit reports of personal securities trades on a quarterly basis, and securities holdings annually. These are reviewed by the Chief Compliance Officer to ensure compliance with the Firm's policies.

### *Outside Business Activities*

Employees are required to report any outside business activities generating revenue. If any are deemed to be in conflict with clients, such conflicts will be fully disclosed or the employee will be directed to cease this activity.

## **BROKERAGE PRACTICES**

In all transactions, Poseidon attempts to execute on behalf of clients at the best possible price including commissions. However, value of services such as research quality and product availability is also taken into consideration when choosing brokers. When possible, the Firm will place brokers in competition with one another for specific transactions

Poseidon recommends investment management clients open accounts with Charles Schwab & Co. ("Schwab"), Inc., Merrill Lynch ("Merrill"), UBS Financial Services ("UBS") or Morgan Keegan as custodian and broker/dealer. All four companies provide competitive commissions, efficient and accurate reports to investment managers and clients, and other services allowing investment advisors to increase their efficiency.

The Firm enacts most trades through the account custodian to avoid "trade away" fees when appropriate. The Firm recognizes its responsibility to attain best execution and recognizes that limiting its custodial relationships may affect its ability to provide best execution on a trade-by-trade basis. However, the Firm evaluates its entire custodial relationship in assessing best execution on a client-by-client basis.

## **Research and Other Soft-Dollar Benefits**

Poseidon currently has no formal soft-dollar arrangements, where specific products or services are paid for with soft dollars generated for the Firm by individual trades the Firm places in client accounts. However, Schwab, Merrill and UBS are providing the Firm with certain brokerage and research products and services that qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934 ("Exchange Act").

## **Brokerage for Client Referrals**

The Firm does not receive referrals from a broker/dealer or third party providing service to Poseidon.

## **Directed Brokerage**

The investment management agreement between the client and Poseidon details any limitations the client has regarding which broker/dealers may be used. Other than these limitations, the Firm may make decisions choosing broker/dealers based on continuous assessment of the following variables: product availability, execution capability, quality of research regarding specific markets and/or securities, commission rates and standard profit margins on non-commission securities. Clients may pay commissions higher than those obtainable from brokers in return for the value of services provided by a specific broker.

## **Order Aggregation**

Poseidon does not aggregate brokerage orders for its clients, but uses its best efforts to ensure that all clients receive fair and equal execution of trades. The overarching principle for that allocation is that no client is intentionally favored over another client that is similarly situated.

## **REVIEW OF ACCOUNTS**

Portfolios for discretionary accounts are reviewed at least quarterly by Jonathan Finger, President and Chief Compliance Officer. Reviews consist of comparing portfolio holdings to each client's investment objective and restrictions (if any). More frequent reviews may occur depending upon market conditions and the requirements of the account. Specific investment objectives are established at the inception of the account relationship and are reviewed with the client on an annual basis. During a portfolio review, matters discussed include asset allocation, portfolio objectives, portfolio performance, tax consequences and any questions the client may have.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

Poseidon does not compensate third parties for client referrals. Poseidon does not, nor do any of its principals or employees, receive any economic benefit from non-clients for providing advisory services to its clients.

## **CUSTODY**

With respect to Finger Interests Number One, Ltd. Poseidon generally has the authority to instruct the account custodian to deduct the investment management fee directly from the client's account or otherwise cause the management fee to be paid, Poseidon is considered to have "custody" that account.. Therefore, Poseidon is considered to have "custody" of Finger Interests Number One, Ltd's client assets.

Custody is defined as having any access to client funds or securities. This limited access is monitored by the client through receipt of monthly account statements directly from the custodian. Custodial statements include a listing of portfolio assets priced as of period-end and all transactions occurring in the account during the period.

Clients may access their account statement via the internet on each custodian's password protected website. Reports available on the website include all current investment positions, cash levels and portfolio performance. Transaction reports from the custodian detail income items, sales and purchases of securities, any account fees, and receipts and disbursements into and out of the accounts.

## **INVESTMENT DISCRETION**

For discretionary accounts, the Firm has full trading authority under a limited power of attorney assigned to Poseidon through either the investment management agreement of the limited partnership agreement. As a result, Poseidon will determine both the investments, and how much of each, should be purchased or sold on each client's behalf.

Nondiscretionary accounts are managed for clients not willing or unable to provide limited power of attorney to Poseidon.

## **VOTING CLIENT SECURITIES**

Poseidon has been delegated the authority to vote proxies regarding its client accounts. Poseidon has adopted and implemented policies and procedures reasonably designed to ensure that the Firm votes proxies in the best interests of its clients. In determining how to vote a particular proxy, Poseidon will generally vote in favor of matters which follow an agreeable corporate strategic direction, support an ownership structure that enhances shareholder value without diluting management's accountability to shareholders and/or present compensation plans that are commensurate with enhanced manager performance and common market practices. If a proxy vote creates a potential material conflict between the interests of Poseidon and a client, the Firm will resolve the conflict before voting the proxy by either obtaining the consent of the client or taking other reasonable steps to minimize the impact of the conflict.

Poseidon maintains records of (i) all proxy statements and materials it receives on behalf of clients; (ii) all proxy votes that are made on behalf of the clients; (iii) all documents that were material to a proxy vote; (iv) all written requests from clients regarding voting history; and (v) all responses (written and oral) to clients' requests. These records are available to the clients upon request by contacting Jonathan Finger at 731.621.7536.

## **FINANCIAL INFORMATION**

Poseidon is not required to provide financial statements. There are no financial conditions that might impair Poseidon's ability to provide services to its clients.