

**Part 2A of Form ADV: *Firm Brochure***

**aAd Capital Management LP**

420 Stevens Avenue  
Suite 160  
Solana Beach, CA 92075

Telephone: 858-427-1434  
Email: [mh@aadcapital.com](mailto:mh@aadcapital.com)  
Web Address: [www.aadcapital.com](http://www.aadcapital.com)

Version as of: 5/3/2012

This brochure provides information about the qualifications and business practices of aAd Capital Management LP. If you have any questions about the contents of this brochure, please contact us at 858-427-1434 or [mh@aadcapital.com](mailto:mh@aadcapital.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 aAd Capital Management LP also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 134246.

## **Item 2 Material Changes**

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure, dated 2/10/2012, is our amended disclosure document prepared according to the SEC's requirements and rules. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

This Brochure is used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our businesses fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

We are currently in the process of transitioning from SEC to the State of California.

<b>Item 3</b>	<b>Table of Contents</b>	<b>Page</b>
Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	3
Item 4	Advisory Business	4
Item 5	Fees and Compensation	5
Item 6	Performance-Based Fees and Side-By-Side Management	7
Item 7	Types of Clients	7
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	8
Item 9	Disciplinary Information	11
Item 10	Other Financial Industry Activities and Affiliations	11
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	12
Item 12	Brokerage Practices	15
Item 13	Review of Accounts	18
Item 14	Client Referrals and Other Compensation	18
Item 15	Custody	19
Item 16	Investment Discretion	19
Item 17	Voting Client Securities	19
Item 18	Financial Information	20
Item 19	Requirements for State-Registered Advisers	20

## **Item 4      Advisory Business**

aAd Capital Management LP's principal place of business is located in California. aAd Capital Management LP began conducting business in 2005.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 5% or more of this partnership):

- Daniel Patrick Wimsatt,
- Meredith Hooke

aAd Capital Management LP offers the following advisory services to our clients:

### **PORTFOLIO MANAGEMENT**

aAd provides portfolio management services to individuals and institutional investors through separate accounts and a private investment fund (aAd Partners LP). We currently manage a single private fund (aAd Partners LP) and a single separate account (Prelude Opportunity Fund) on a discretionary basis. Our investment strategy is predominantly focused on long and short opportunities among US based stocks and options. We use a contrarian strategy; buying predominantly publicly traded companies that are undervalued and shorting publicly traded companies that are overvalued, based on fundamental research.

Through personal discussions, the investment management process, strategy and risks are discussed with prospective clients before making a decision to invest in the Fund. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs.

Our portfolio strategies may include investments in:

exchange-listed securities  
securities traded over-the-counter  
foreign issuers  
warrants  
corporate debt securities (other than commercial paper)  
mutual fund shares  
united States government securities  
options contracts on securities  
futures contracts on tangibles

Because the Fund is a single pooled investment, clients may not impose any restrictions on investing in certain securities or types of securities. However, our separate account does impose certain restrictions as detailed in our Advisory Agreement with them.

## AMOUNT OF MANAGED ASSETS

As of 12/31/2011, we were actively managing \$41,108,208 of clients' assets on a discretionary basis.

### Item 5 Fees and Compensation

#### PORTFOLIO MANAGEMENT FEES

aAd Capital Management LP charges an asset-based management fee and may charge qualified clients an incentive-based fee. The terms and conditions of the fee structure can be found in the respective advisory agreement.

**Portfolio Management Fees:** aAd Capital Management LP charges a fee for portfolio management that is calculated and paid as a percentage of the assets under management. For the single Fund, the portfolio management fee is calculated at an annual rate of 1.00%. Fees are calculated on a quarterly basis, and are payable in advance based on the value of the account(s) as of the beginning of each billing period. The management fee is prorated for periods less than a full billing cycle and adjusted to cover any additional contributions made during that period. The management fee is deducted directly from the Fund and payable to the Management Company.

**Separately Managed Account Fees:** Fees for separately managed accounts are negotiable and will be agreed upon prior to clients signing an advisory agreement. Management and Incentive Fees and when they are payable are negotiated on a case by case basis.

**Performance-based/ Incentive Fees:** aAd Capital Management receives an Incentive Fee or Performance Fee with respect to each Limited Partner of 20% of the Profits (including realized and unrealized gains and losses) of the Partnership otherwise allocable to that Limited Partner in the applicable measurement period. Incentive Fees are crystallized at the end of each calendar year or time of redemption whichever is the earlier – please see methodology for calculating total return below.

In the event the Fund has a loss, in the first year of that loss there is no Incentive Fee paid. However, in the 2<sup>nd</sup> year, the Fund is entitled to a 10% Incentive Fee until such time as 200% of the losses have been recouped, at which time we will then go back to a 20% Incentive Fee.

The client must understand the performance-based fee method of compensation and its risks prior to entering into a management contract with us.

PERFORMANCE-BASED FEES WILL ONLY BE CHARGED IN ACCORDANCE WITH THE PROVISIONS OF REG. 205-3 OF THE INVESTMENT ADVISERS ACT OF 1940 AND/OR APPLICABLE STATE

REGULATIONS. THE FEES WILL NOT BE OFFERED TO ANY CLIENT RESIDING IN A STATE IN WHICH SUCH FEES ARE PROHIBITED.

A minimum investment of \$500,000 is required, but is also negotiable under certain circumstances. aAd Capital Management LP may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

## **GENERAL INFORMATION**

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, for any reason.

***Mutual Fund Fees:*** All fees paid to aAd Capital Management LP for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Additional Fees and Expenses:*** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s).

Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

***Limited Prepayment of Fees:*** Under no circumstances do we require or solicit payment of fees in excess of \$500 more than six months in advance of services rendered.

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

### **PERFORMANCE-BASED FEES**

As we disclosed in Item 5 of this Brochure, our firm accepts a performance-based fee from the client. Such a performance-based fee is calculated based on a share of capital gains on or capital appreciation of the assets of the client. To qualify for a performance-based fee arrangement, a client (or Fund investor, as applicable) must either demonstrate a net worth of at least \$2,000,000 or must have at least \$1,000,000 under management immediately after entering into a management agreement with us.

Clients should be aware that performance-based fee arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

## **Item 7      Types of Clients**

aAd Capital Management LP currently provides advisory services to the following types of clients:

high net worth individuals and  
other pooled investment vehicles (e.g., hedge funds)

As previously disclosed in Item 5, our firm has established certain initial minimum account requirements, which is \$500,000. You must have a net worth of \$2,000,000 in order to invest in the Fund.

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

### **METHODS OF ANALYSIS**

aAd relies extensively on access to Wall Street Research, Analysts and Conferences to formulate its investment advice. As such, we pay commissions to Wall Street Investment Banks in return for access to research models, research analysts and conferences. We use the following methods of analysis in formulating our investment advice and/or managing client assets:

***Fundamental Analysis.*** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell or short).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Quantitative Analysis.** We use financial models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

**Qualitative Analysis.** We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data. A risk in using qualitative analysis is that our subjective judgment may prove incorrect.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## **INVESTMENT STRATEGIES**

We use the following strategies in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.



**Trading.** We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

Utilizing a trading strategy creates the potential for sudden losses if the anticipated price swing does not materialize. Moreover, under those circumstances, we are left with few options:

- having a long-term investment in a security that was designed to be a short-term purchase, or
- the potential of having to take a loss.

In addition, because this strategy involves more frequent trading than does a longer-term strategy, there will be a resultant increase in brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Short sales.** We borrow shares of a stock from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On a future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, the client account realizes the profit.

Short selling results in some unique risks:

*1. Losses can be infinite.* A short sale loses when the stock price rises, and a stock is not limited (at least, theoretically) in how high it can go. For example, if you short 100 shares at \$50 each, hoping to make a profit but the shares increase to \$75 per share, you'd lose \$2,500. On the other hand, the price of a stock cannot fall below \$0, which limits your potential upside.

*2. Short squeezes can wring out profits.* As stock prices increase, short seller losses also increase as sellers rush to buy the stock to cover their positions. This increase in demand, in turn, further drives the prices up.

*3. Timing.* Even if we are correct in determining that the price of a stock will decline, we run the risk of incorrectly determining when the decline will take place, i.e., being right too soon. Although a company is overvalued, it could conceivably take some time for the price to come down; during which you are vulnerable to interest, margin calls, etc.

*4. Inflation.* History has shown that over the long term, most stocks appreciate. Even if a company barely improves over time, inflation should drive its share price up somewhat. In fact, short selling may not be appropriate in times of inflation for that very reason, as prices may adjust upwards regardless of the value of the stock.

**Margin transactions.** We will purchase stocks for the Fund with money borrowed from our prime brokerage. This allows us to purchase more stock than we would be able to with our available cash, and allows us to purchase stock without selling other holdings.

A risk in margin trading is that, in volatile markets, securities prices can fall very quickly. If the value of the securities in the account minus what we owe the broker falls below a certain level, the broker will issue a “margin call”, and we will be required to sell positions in the security purchased on margin or add more cash to the account. In some circumstances, you may lose more money than you originally invested.

**Option writing.** We use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset. The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time.

Option writing:

- Selling a call means we have entered into a contract where we agree to sell a certain asset at a certain price. The buyer of the call must exercise their right within a specific period of time.
- Selling a put means we have entered into a contract where we agree to buy a certain asset at a certain price. The buyer of the put must exercise their right within a specific period of time.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to “hedge” a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We buy calls when we believe the underlying security will go up in price. Our risk is the total cost of the premium.

We buy puts when we believe the underlying security will go down in price. Our risk is the total cost of the premium.

We write calls when we believe the underlying security will go down in price. Our risk is conceivably infinite; however there are risk controls in place to limit the amount of loss. We write puts when we believe the underlying security will go up in price. Our risk is finite in that the stock can only go as low as zero.

We use covered calls, in which we sell an option on a security we own. In this strategy, we receive a fee for making the option available, and the person purchasing the option has the right to buy the security from us at an agreed-upon price.

A risk of covered calls is that the option buyer does not have to exercise the option, so that if we want to sell the stock prior to the end of the option agreement, we have to buy the option back from the option buyer, for a possible loss.

***Risk of Loss.*** Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

## **Item 9      Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

## **Item 10      Other Financial Industry Activities and Affiliations**

At this time, aAd Capital Management LP is not registered nor is requesting to register as a broker-dealer or a registered representative of a broker-dealer.

At this time, aAd Capital Management LP is not registered nor is requesting to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

At this time, aAd Capital Management LP does not have any relationship or arrangement that is material to our advisory business or clients with any of the following:

1. Broker-dealer, municipal securities dealer, or government securities dealer or broker
2. Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund" and offshore fund"
3. Other investment adviser or financial planner
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.

aAd Capital Management LP does not recommend or select other investment advisers for our clients.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

aAd Capital Management LP and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

aAd Capital Management LP's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [mh@aadcapital.com](mailto:mh@aadcapital.com), or by calling us at 858-427-1434. aAd Capital Management LP and individuals associated with our firm are prohibited from engaging in agency cross transactions.

The principals of aAd Capital Management LP are also the principals of aAd Partners LP. The General Partner has designated aAd Capital Management LP as having primary responsibility for investment management and administrative matters, such as accounting, tax and periodic reporting, pertaining to the Fund. aAd Capital Management LP and our members, officers and employees will devote to the Fund as much time as we deem necessary and appropriate to manage the Fund's business. aAd Capital Management LP and our affiliates are not restricted from forming additional investment Funds, entering into other investment advisory relationships or engaging in other business activities, even though such activities may be in competition with the Fund and/or may involve substantial time and resources of our firm and our affiliates. Potentially, such activities could be viewed as creating a conflict of interest in that the time and effort of our management personnel and employees will not be devoted

exclusively to the business of the Fund, but could be allocated between the business of the Fund and other of our business activities and those of our affiliates.

Investments in the Fund may be recommended to advisory clients for whom a partnership investment may be more suitable than would a separate advisory account managed by our firm. Clients who invest in the Fund are not charged any additional advisory fees other than the advisory fee allocated to the limited partners of the Fund.

The Fund is not required to register as an investment company under the Investment Company Act of 1940 in reliance upon an exemption available to funds whose securities are not publicly offered. aAd Capital Management LP manages the Fund on a discretionary basis in accordance with the terms and conditions of the Fund's offering and organizational documents.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

All employees must get prior approval before purchasing any security. If the Fund is buying the security at that time, the employee will not be able to purchase until the initial position is achieved for the Fund. If the employee buys the same security as the Fund that position is subject to a lock-up until the Fund begins to sell. As the Fund typically sells in stages, employees will be able to sell a certain percentage of their holdings based on the amount the Fund sells. For example, if the Fund sells 25% of its position, then the employee can sell 25% of their position. The employee always makes their transaction after the Fund.

We always aggregate client transactions and it is our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to

ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any publicly traded security, IPO or private placement investments by related persons of the firm.
5. We require all access persons to obtain pre-approval before purchasing any securities. All employees' holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
6. We have established procedures for the maintenance of all required books and records.
7. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
8. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
9. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
10. Any individual who violates any of the above restrictions may be subject to termination.

## **Item 12      Brokerage Practices**

aAd Capital Management LP will endeavor to select those brokers or dealers which will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on the broker's stability, reputation, ability to provide professional services, competitive commission rates and prices, research, trading platform, and other services which will help aAd Capital Management LP in providing investment management services to clients. aAd Capital Management LP may, therefore recommend (or use) the use of a broker who provides useful research and securities transaction services even though a lower commission

may be charged by a broker who offers no research services and minimal securities transaction assistance. Research services may be useful in servicing all our clients, and not all of such research may be useful for the account for which the particular transaction was effected.

Consistent with obtaining best execution for clients, aAd Capital Management LP may direct brokerage transactions for the Fund and its Separate Account to brokers who provide research and execution services to aAd Capital Management LP and, indirectly, to aAd Capital Management LP's clients. These services are of the type described in Section 28(e) of the Securities Exchange Act of 1934 and are designed to augment our own internal research and investment strategy capabilities. This may be done without prior agreement or understanding by the client (and done at our discretion). Research services obtained through the use of soft dollars may be developed by brokers to whom brokerage is directed or by third-parties which are compensated by the broker. aAd Capital Management LP does not attempt to put a specific dollar value on the services rendered or to allocate the relative costs or benefits of those services among clients, believing that the research we receive will help us to fulfill our overall duty to our clients. aAd Capital Management LP may not use each particular research service, however, to service each client. As a result, a client may pay brokerage commissions that are used, in part, to purchase research services that are not used to benefit that specific client. Broker-dealers we select may be paid commissions for effecting transactions for our clients that exceed the amounts other broker-dealers would have charged for effecting these transactions if aAd Capital Management LP determines in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or our overall duty to its ('brokerage') discretionary client accounts.

Certain items obtainable with soft dollars may not be used exclusively for either execution or research services. The cost of such "mixed-use" products or services will be fairly allocated and aAd Capital Management LP makes a good faith effort to determine the percentage of such products or services which may be considered as investment research. The portions of the costs attributable to non-research usage of such products or services are paid by our firm to the broker-dealer in accordance with the provisions of Section 28(e) of the Securities Exchange Act of 1934.

When aAd Capital Management LP uses client brokerage commissions to obtain research or brokerage services, we receive a benefit to the extent that aAd Capital Management LP does not have to produce such products internally or compensate third-parties with our own money for the delivery of such services. Therefore, such use of client brokerage commissions results in a conflict of interest, because we have an incentive to direct client brokerage to those brokers who provide research and services we utilize, even if these brokers do not offer the best price or commission rates for our clients.

Since 2005, aAd Capital Management LP has used Instinet, LLC as its soft dollar brokerage. Instinet was chosen and has been maintained as our soft dollar broker because of its trading platform, which provides good liquidity and ease of managing third party research services and

providers. In 2010, \$286,003 in soft dollar commissions was generated with \$269,125 in payments for outside brokerage services.

Research	\$225,784
Market Data	\$38,613
Exchange Fees	\$4,728

Utilizing the following vendors:

- FactSet Research Systems
- Thomson Reuters (Markets) LLC
- William Blair & Co
- Wedbush Morgan Securities
- Craig Hallum Capital
- Avondale Partners
- Caris & Co
- Sterne, Agee & Leach
- Rodman & Renshaw
- Fagenson & Co
- Stifel Nicolaus & Co
- Maxim Group
- DA Davidson & Co
- Longbow Research
- Stephens Inc
- InsiderScore
- Street Account
- NYSE Market
- Nasdaq/Intl Exch Fees-Instinet

aAd Capital Management LP will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. aAd Capital Management LP will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. aAd Capital Management LP's block trading policy and procedures are as follows:



- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with aAd Capital Management LP, or our firm's order allocation policy.
- 2) The portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable aAd Capital Management LP to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- 4) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- 5) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- 6) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
- 7) aAd Capital Management LP's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
- 8) Funds and securities for aggregated orders are clearly identified on aAd Capital Management LP's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
- 9) No client or account will be favored over another.

## **Item 13      Review of Accounts**

## **PORTFOLIO MANAGEMENT**

*REVIEWS:* The underlying securities within each account are continually monitored, these accounts are reviewed on a daily basis by:

Daniel P. Wimsatt, CFA,

*REPORTS:* We provide monthly statements online summarizing account performance and balance. If the client is using a brokerage firm as a custodian then the brokerage will send statements as well.

### **Item 14      Client Referrals and Other Compensation**

It is aAd Capital Management LP's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

It is aAd Capital Management LP's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

### **Item 15      Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the Fund's administrator will calculate the amount of the fee to be deducted from that client's account.

Statements are posted online, showing the client's month by month account balance, gain/loss for the period and management fees deducted. Investors in our private Fund will annually receive a K1 prepared by our Auditors which discloses the amount of the following fees paid: management, professional, administrative, organizational, dividend expense, miscellaneous expense, FTB tax.

Our firm does not have actual custody of client accounts. We do have constructive custody of client accounts.

### **Item 16      Investment Discretion**

Clients hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement or Subscription agreement with our firm.

## **Item 17      Voting Client Securities**

We vote proxies for all client accounts. We will vote proxies in the best interests of our clients and in accordance with our established policies and procedures. Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify the client of the conflict and retain an independent third-party to cast a vote.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting Meredith Hooke at 858.427.1434 or mh@aadcapital.com or 420 Stevens Ave., Suite 160, Solana Beach, CA 92075. Clients may request, in writing, information on how proxies for the Fund were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for the Fund, we will promptly provide such information to the client.

With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies. To direct us to vote a proxy in a particular manner, clients should contact Meredith Hooke at 858.427.1434 or mh@aadcapital.com or 420 Stevens Avenue, Suite 160, Solana Beach, CA 92075.

## **Item 18      Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$500 per client more than six months in advance of services rendered therefore we are not required to provide a financial statement.

As an advisory firm that maintains discretionary authority for client accounts we are required to provide a copy of our firm's balance sheet. We are also required to disclose any financial

condition that is reasonable likely to impair our ability to meet our contractual obligations. aAd Capital Management LP has no additional financial circumstances to report.

aAd Capital Management LP has not been the subject of a bankruptcy petition at any time during the past ten years.

## **Item 19      Requirements for State-Registered Advisers**

### **A) Principal Executive Officers and Management Persons**

Daniel P. Wimsatt, CFA

Mr. Wimsatt graduated Phi Beta Kappa with a BA in Economics from St. Olaf College in Northfield, Minnesota, and received an MBA from Stanford University. He is a Chartered Financial Analyst.

Mr. Wimsatt began his career at Accenture as a Consultant for three years. He then spent five years in Equity Sales at Goldman Sachs & Co. and worked at Wall Street Associates in several capacities for two years. Mr. Wimsatt was a co-founder and Member of the Management Board at Bricoleur Capital LLC.

Meredith Hooke

Ms. Hooke graduated with a BA in Microbiology from Miami University in Oxford, Ohio.

Ms. Hooke began her career in the financial services industry with Barclays Australia Ltd. – working for them in various capacities in their Sydney and London offices between 1983 and 1988. Ms. Hooke then spent two years working for Morgan Grenfell in Sydney. Ms. Hooke worked as a Stockbroker for Olde Discount Corporation for two years and worked in various capacities (Senior Financial Advisor, Sales Manager & Branch Manager) at Merrill Lynch for six years. Ms. Hooke worked for two years as an Alternative Investment Consultant at Altegris Investments before joining aAd Capital Management LP.

B) Mr. Wimsatt and Ms. Hooke are not actively engaged in any other business than aAd Capital Management LP.

C) aAd Capital Management is entitled to a quarterly Management Fee with respect to each Limited Partner of 0.25% of the balance of that Limited Partner's Capital Account (1.0% per year). The Management Fee is payable in advance at the beginning of each Fiscal Quarter based on the net asset value of each Limited Partner's Capital Account on the first day of that Fiscal Quarter.

aAd Capital Management receives an Incentive Fee or Performance Fee with respect to each Limited Partner of 20% of the Profits (including realized and unrealized gains and losses) of the Partnership otherwise allocable to that Limited Partner in the applicable measurement period. Incentive Fees are crystallized at the end of each calendar year or time of redemption whichever is the earlier.

In the event the Fund has a loss, in the current year of that loss there is no Incentive Fee paid. However, in the following year, the Fund is entitled to a 10% Incentive Fee until such time as 200% of the losses have been recouped, at which time we will then go back to a 20% Incentive Fee.

D) Mr. Wimsatt and Ms. Hooke have NOT been found liable in an arbitration claim alleging damages in excess of \$2,500 OR have NOT been found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following: an investment, investment-related business or activity; fraud, false statement(s) or omissions; theft, embezzlement, or other wrongful taking of property; bribery, forgery, counterfeiting, or extortion; or dishonest, unfair, or unethical practices.