

FREDERICK CAPITAL MANAGEMENT, INC.

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**FORM ADV PART 2A
BROCHURE**

This brochure provides information about the qualifications and business practices of Frederick Capital Management, Inc. If you have any questions about the contents of this brochure, please contact John Frederick at (847) 358-5177 and at fredfcm@comcast.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 Frederick Capital Management, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for this Adviser is 122743.

Frederick Capital Management, Inc. is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

3/31/2011

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Advisory Business

Frederick Capital Management, Inc. (“FCM” or “Advisor”) is an investment adviser registered with the Securities and Exchange Commission. FCM’s primary service is to provide investment supervisory services to individuals, families, trusts, estates, and charitable organizations or other business entities.

The firm is owned by John Richard Frederick who founded the firm in 1996. It is a successor firm to the firm Frederick Capital Management, a sole proprietorship owned by John Richard Frederick.

Investment Supervisory Services

FCM manages accounts on a discretionary basis only. FCM will generally invest its client’s assets in no-load mutual funds, exchange-traded funds, exchange-traded notes, equities, and debt instruments. Prior to engaging FCM to provide investment Advisory services, the client will be required to enter into one or more written agreements with FCM setting forth the terms and conditions under which FCM shall render its services (collective the “Agreement”). In addition, FCM may only implement its investment management recommendations after the client has arranged for and furnished FCM with all information and authorization regarding accounts with appropriate financial institutions. In particular, FCM conducts in person meetings to determine clients’ risk tolerance and investment objectives. FCM may also use a risk profile and/or client questionnaire to establish the investment objectives of its clients and their risk parameters. Generally, FCM does not allow clients to put restrictions upon the discretionary management of their account.

Financial institutions where clients custody assets shall be held include, but are not limited to, Schwab Institutional, any other broker-dealer recommended by FCM, broker-dealer directed by the client, trust companies, banks, etc. (collectively referred to herein as the “Custodian(s)”).

The client may make additions to and withdrawals from the account at any time, subject to FCM’s right to terminate an account. Clients may withdraw account assets on notice to FCM, subject to the usual and customary securities settlement procedures. However, FCM designs its portfolios as long-term investments and asset withdrawals may impair the achievement of a client’s investment objectives. FCM’s clients are advised to properly notify FCM if there are ever any changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions on their account.

Clients may terminate their agreement with FCM upon 30 days written notice to the address of record for FCM. As described more completely in the section called Fees and Compensation, if a client terminates prior to a quarter's end, such fees will be pro-rated and refunded accordingly.

Assets Under Management

As of December 31, 2010, FCM had \$69,139,554 under management on a discretionary basis only with 254 accounts.

Fees and Compensation

Investment Adviser Management Fee

FCM charges clients for investment supervisory services as a percentage-based fee, dependent upon the value of the client's assets under management with FCM. For the percentage-based fee, the annual fee shall be pro-rated and charged quarterly, in advance, based upon the market value of the assets on the last day of the prior quarter. This amount is based upon the value of assets as determined by software provided by the Custodian. There may be discrepancies as to reinvested dividends and accrued interest that may vary the amount seen on the client's billing from the amount on the respective custodial statement. Generally, FCM's fee schedule, on a quarterly basis, is as follows:

Under \$500,000	.25% of assets
\$500,000 – \$1,999,999	.125% of assets
\$2,000,000 – \$5,000,000	.0625% of assets
Over \$5,000,000	.025% of assets

FCM, in its sole discretion, may negotiate fees based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, pro bono activities, etc.).

FCM's Agreement and/or the separate agreement with the Custodian(s) may authorize FCM through the Custodian(s) to debit the client's account for the amount of FCM's fee and to directly remit that management fee to FCM in accordance with applicable custody rules. The Custodian(s) recommended by FCM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to FCM.

Transaction Costs

Clients may pay brokerage commissions, transaction fees, and custodial fees to the Custodian as part of the management of their account. In addition, mutual funds and exchange-traded funds may impose charges as well such as the fund management fees and other fund expenses, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer fees and other related expenses which shall be incurred by the client. However, FCM shall not receive any portion of these commissions, fees, and costs, and they are in

addition to FCM's fees.

For the initial quarter of investment management services, the first quarter's fees may be calculated on a pro rata basis. The Agreement between FCM and the client will continue in effect until terminated by either party pursuant to the terms of the Agreement. FCM's annual fee shall be prorated through the date of termination and any remaining balance shall be charged or refunded to the client, as appropriate, in a timely manner.

Performance-Based Fees and Side-By-Side Management

FCM does not charge performance-based fees; therefore this section is not applicable.

Types of Clients

FCM generally provides investment advice to individuals, families, trusts, estates, and charitable organizations or other business entities.

FCM does not have a minimum account size.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis, Sources of Information, and Investment Strategies

FCM uses a variety of security analysis methods including: fundamental, technical and cyclical factors. FCM obtains information from financial newspapers and magazines, research materials, annual reports, company filings and press releases. FCM primarily implements its investment strategy through long term purchases, but at times will also utilize short term purchases and sales. To a lesser extent, FCM may use leveraged ETFs. Due to the leverage component of some ETFs, there may be additional risk to such investments.

With that said, all investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.

Disciplinary Information

Neither FCM nor its owner John Richard Frederick has any disciplinary information to report.

Other Financial Industry Activities and Affiliations

Neither FCM nor its owner John Richard Frederick has any other financial industry activities or affiliations to report.

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

FCM has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“Code of Ethics”). In accordance with Section 204A of the Advisers Act, its Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by FCM or any of its associated persons. The Code of Ethics also requires that certain of FCM’s personnel (called “Access Persons”) report their personal securities holdings and transactions. The Code also addresses the issues of the confidentiality of and the safeguarding of client information, the payment or receipt of gifts by FCM or its associated persons, and the recordkeeping requirements for all of the above.

The Code is designed to ensure that the high ethical standards long maintained by Frederick Capital Management continue to be applied. The purpose of the Code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct. The excellent name and reputation of our firm continues to be a direct reflection of the conduct of each employee.

In meeting its fiduciary responsibilities to its clients, Frederick Capital Management expects every employee to demonstrate the highest standards of ethical conduct as a condition of continued employment with Frederick Capital Management. Strict compliance with the provisions of the Code shall be considered a basic condition of employment with Frederick Capital Management. Clients may contact FCM to request a copy of its Code of Ethics.

FCM and persons associated with FCM (“Associated Persons”) are permitted to buy or sell securities that it also recommends to clients consistent with FCM’s policies and procedures. Generally, FCM and its Associated Persons will trade simultaneously with clients. If a security is limited, the clients’ transactions will always go first. Neither FCM nor any of its Associated Persons shall receive preferential treatment in trading or receive a better price than the clients if done simultaneously.

Brokerage Practices

Brokerage Practices- Generally

In general, FCM recommends the use of Charles Schwab & Co. (“Schwab”) as custodian and broker-dealer for its clients’ trades. Factors which FCM considers in recommending Schwab or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research, and service. Schwab enables FCM to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Schwab may be higher or lower than those charged by other broker-dealers.

Clients may incur transaction costs in addition to any commissions charged by the broker-dealer when securities traded over-the-counter or in the fixed income market are effected on their behalf through the broker-dealer on an agency basis. Broker custody of client assets may limit or eliminate FCM’s ability to obtain best price and execution of transactions in over-the-counter securities.

A. Soft Dollars

FCM has no soft dollar arrangements with any broker-dealer to effect its clients’ securities transactions through that broker-dealer. The only item received by FCM for its use of Schwab is the custodian’s proprietary software to assist with client management and reporting.

As indicated above, certain of the support services and/or products that *may* be received may assist FCM in managing and administering client accounts. Others do not directly provide such assistance, but rather assist FCM to manage and further develop its business enterprise. FCM’s clients do not pay more for investment transaction effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by FCM to *Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other products as a result of the above arrangement.

B. Directed Brokerage

FCM does not allow for a client to direct its brokerage away from the custodian.

C. Trade Aggregation

Due to the personalized nature of FCM's services, transactions for each client generally will be effected independently, unless FCM decides to purchase or sell the same securities for several clients at approximately the same time. FCM may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among FCM's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among FCM's clients pro rata to the purchase and sale orders placed for each client on any given day. Clients' transaction costs, however, are a function of their commission schedule based upon trading volume, asset size or confirmation receipt method.

D. Trade Errors

FCM corrects all trade errors through an Error Account at Schwab. If there is a loss due to a trade error by FCM, FCM will make the client whole. If there is a gain in correcting the trade error, the gain will be retained by Schwab.

E. Brokerage for Client Referrals

FCM has no arrangements whereby it directs brokerage for Advisory clients in order to obtain client referrals.

Review of Accounts

FCM monitors client portfolios as part of an ongoing process while regular account reviews are conducted on a daily basis. Such reviews are conducted by John Frederick or his designee(s). All investment Advisory clients are encouraged to discuss their needs, goals and objectives with FCM and to keep FCM informed of any changes thereto. FCM shall contact ongoing investment Advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for their client accounts. Those clients to whom FCM provides investment Advisory services will also receive a report from FCM that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis. Any written reports from the firm include notification that clients should review our information to confirm that it agrees with the statements of their custodians.

Client Referrals and Other Compensation

FCM does not directly or indirectly compensate any person for client referrals.

Custody

FCM does not maintain custody of Advisory client funds, securities or assets except in its capability, and by agreement with the client, to debit client fees directly from client accounts. Accordingly, FCM only maintains custody, as now defined by the custody rule under the Investment Advisors Act of 1940, for the purpose of directly debiting Advisory fees. Furthermore, FCM ensures that clients' assets are held by "qualified custodians" and that the custodian is sending to the client directly, at least quarterly, statements of the client accounts.

Investment Discretion

FCM may exercise discretion over the specific securities to be bought or sold, the amount of securities to be bought or sold and the particular broker-dealer to be used for such transactions. FCM will have authority to exercise full direction in the above-named factors without restriction. FCM also will observe any specific limitations imposed by the client in relation to this discretion. FCM does not accept non-discretionary accounts

Voting Client Securities

As a matter of firm policy, FCM does not vote client securities on behalf of clients. Clients are responsible for instructing each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

Financial Information

FCM has never been the subject of a bankruptcy petition at any time. Neither FCM nor its principal, John Frederick, has any financial circumstances to report.

Additional Information/Privacy Policy

PRIVACY NOTICE (Regulation S-P)

Pursuant to Regulation S-P adopted by the Securities and Exchange Commission, it is the policy of Frederick Capital Management to keep confidential nonpublic personal information (“*information*”) pertaining to each current and former client (i.e., *information* and records pertaining to personal background, investment objectives, financial situation, investment holdings, account numbers, account balances, etc.) unless Frederick Capital Management is (1) previously authorized by the client to disclose *information* to individuals and/or entities not affiliated with Frederick Capital Management, including, but not limited to the client’s other professional Advisors and/or service providers (i.e., attorney, accountant, insurance agent, broker-dealer, investment Advisor account custodian, etc.); (2) required to do so by judicial or regulatory process; or (3) permitted to do so in accordance with the parameters of regulation S-P. The disclosure of *information* contained in any document completed by the client for processing and/or transmittal by Frederick Capital Management in order to facilitate the commencement/ continuation/ termination of a business relationship between the client and nonaffiliated third party service provider (i.e. broker-dealer, investment adviser, account custodian, insurance company, etc.), including *information* contained in any document completed and/or executed by the client for Frederick Capital Management (i.e., Advisory agreement, client information form, etc.), shall be deemed as having been automatically authorized by the client with respect to the corresponding nonaffiliated third party service provider. Each individual and/or entity affiliated with Frederick Capital Management is aware of Frederick Capital Management’s *privacy policy*, and has acknowledged his/her/its requirement to comply with same. In accordance with the Frederick Capital Management *privacy policy*, each such affiliated individual and/or entity shall have access to *information* to the extent reasonably necessary for Frederick Capital Management to perform its services for the client, and to comply with applicable regulatory procedures and requirements.

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