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This brochure provides you information about the qualifications and business practices of XLM CAPITAL MANAGEMENT, LLC. If you have any questions about the contents of this brochure, please contact us at (734) 426-8560 or xlmcap@gmail.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.

We are a registered investment adviser. Registration of an adviser does not imply any level of skill or training.

Additional information about XLM CAPITAL MANAGEMENT, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

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ADVISORY BUSINESS

Firm Description

XLM Capital Management, LLC (“XLM”), a Michigan limited liability company, provides discretionary and non-discretionary investment advice to individuals, estates and businesses, crafting a portfolio of securities that incorporates each individual’s risk tolerance, financial resources and obligations, tax circumstances, and investment objectives.

XLM has been in business since 2004, and is one hundred percent owned by Craig L. McKee. XLM has no other employees.

Advisory Services Offered

Investment advice is provided with respect to: exchange listed and over-the-counter equities (including common stock, convertible preferred stock, convertible bonds, shares of closed-end-investment companies, American Depositary Receipts, ordinary foreign shares, and rights or warrants on equities), equity options and equity index options; fixed income securities (including U.S. Treasury and federal agency securities, corporate bonds, municipal bonds, preferred stock, and mortgage backed securities); exchange traded funds, and cash and cash equivalents (including commercial paper and certificates of deposit).

Investment strategies include long term purchases (securities held for at least a year); short term purchases (securities sold within a year); trading (securities sold within thirty days); option purchases; option writing (limited to covered call option); margin transactions; and short sales.

Tailored Advisory Services

Advisory services are tailored to the individual needs of the client. In addition to discussions about each client’s objectives and risk tolerance, upon opening an account, each client is encouraged to answer a questionnaire aimed at providing greater insight into the particular client’s risk tolerance.

As explained in more detail under “INVESTMENT DISCRETION” beginning on page 9, discretionary trading authority means that XLM has the authority to engage in transactions that XLM deems appropriate, without prior consultation or approval of the client.

Client Assets Under Management

As of December 31, 2011, XLM managed \$29,838,980 of client assets on a discretionary basis, and managed \$4,992,750 on a non-discretionary basis.

FEES AND COMPENSATION

Method of Compensation and Fee Schedule

XLM calculates its fees based upon a percentage of assets under management. Fees are not negotiable. The fee schedule applicable to all accounts is:

<u>Value of Assets</u>	<u>Effective (Annualized) Percentage</u>
• \$ 25,000 to \$50,000	1.75%
• \$ 50,000 to \$500,000	\$875 + 1.375% above \$50,000
• \$500,001 to \$2,000,000	\$7,062 + 1.00% above \$500,000
• \$2,000,001 to \$4,000,000	\$22,062 + 0.75% above \$2,000,000
• \$4,000,001 and above	\$37,062 + 0.50% above \$4,000,000

Investment advice fees are paid quarterly and in advance. The initial investment advice fee is prorated based upon the number of days remaining in the applicable calendar quarterly period. For each subsequent calendar quarter, the investment advice will be determined by averaging the market value of the assets under management as of the month end for each of the previous quarter's three months (or the lesser of three months).

For example, for an account opened on March 1st with one million dollars under management, the initial fee would be calculated by multiplying the percentage of days under management in the quarter by the quarterly fee. The calculation is as follows:

The percentage of days of management in the initial period is calculated by dividing the thirty-one days in March by the 90 days in the quarter, which represents 34.44 percent of the days within the quarter. The quarterly management fee is the annualized management fee divided by four. Thus, for one million dollars, the quarterly fee equals \$7,062 plus \$5,000 (one percent of the difference between one million dollars and five hundred thousand dollars), divided by four, which is \$3,015.50. Accordingly, in this example, the initial fee for the period March 1st through March 31st is \$1,038.53. That is, \$3,015.50 multiplied by .3444 equals \$1,038.53.

As stated above, investment advice fees are paid quarterly and in advance. Therefore, continuing the preceding example, if the market value of the assets under management were nine hundred thousand dollars on March 31st, then the amount invoiced on April 1st would be \$2,765.50. The calculation of the payment for the period April 1st through June 30th is as follows:

The average of the market value of assets under management as of the month end for each of the previous quarter's three months, or the lesser of three months, would be the nine hundred thousand dollars of market value on March 31st. Thus, the quarterly investment advice fee calculation for nine hundred thousand dollars of assets under management is \$7,062 plus \$4,000 (one percent of the difference between nine hundred thousand and five hundred thousand), divided by four, or \$2,765.50.

Continuing the preceding example, if the market value of the assets under management at the end of the subsequent months were \$950,000 on April 30th, \$1,100,000 on May 31st, and \$1,250,000 on June 30th, then the amount invoiced in July would be \$3,265.50. This amount would constitute payment in advance for investment advice for the period July 1st through September 30th.

The calculation for this invoice is as follows: $(\$950,000 + \$1,100,000 + \$1,250,000)$ divided by three equals \$1,100,000, which is the average market value of assets under management as of the month end for each of the previous quarter's three months. The quarterly investment advice fee for one million one hundred thousand dollars of assets under management equals \$7,062 plus \$6,000 (one percent of the difference between one million one hundred thousand and five hundred thousand), divided by four, or \$3,265.50.

Billing

Clients are billed for investment advisory services by way of an invoice delivered by the U.S. Postal Service to the client's mailing address. XLM does not deduct fees from client assets, nor does XLM have the authority to do so. XLM does not accept electronic payment of invoices.

Other Fees

XLM investment advice fees do not include brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. Clients may incur charges imposed by custodians, brokers or other third parties. Such fees may include fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual fund and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Consequently, for any type of fund investment, it is important for you to understand that you are directly and indirectly paying two levels of advisory fees and expenses: one layer of fees at the fund level and one layer of advisory fees and expenses to us. XLM does not receive any portion of these other fees.

Refund Of Prepaid Investment Fees

Either of us may terminate our agreement at any time by providing the other party with written notice. If the agreement is terminated prior to the end of a billing period, the unearned portion of the investment advice fee, paid in advance, will be refunded promptly.

Additional Compensation

Neither XLM nor its supervised persons accepts compensation for the sale of securities or other investment products.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Neither XLM nor its supervised persons accepts performance-based fees - that is, fees based on a share of capital gains on or capital appreciation of the assets of a client (such as a client that is a hedge fund or other pooled investment vehicle).

TYPES OF CLIENTS

Types of Clients

XLM may provide investment advice to individuals, estates and businesses. The preponderance of XLM's clients are individuals. Moreover, as of December 31, 2011, the preponderance of clients are high net worth individuals (defined as having \$750,000 or more of assets under management or a net worth in excess of \$1,500,000).

Account Minimums

The minimum account size is \$25,000. In accordance with the fee schedule set forth in Method of Compensation and Fee Schedule on page 2 above, however, XLM charges one and three quarter percent on assets under management at this level. As such, XLM is relatively expensive compared to alternatives for accounts of this size.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Method of Analysis

XLM uses the following analytical methods: economic, fundamental, credit risk, interest rate, market, asset class, industry, sector, and fundamental valuation analysis. Individual security recommendations are predicated upon fundamental analysis, drawing upon annual reports, prospectuses, and filings with the Securities and Exchange Commission. XLM monitors company press releases and conference calls, corporate activities, corporate rating services, research materials prepared by broker/dealers, and financial newspapers and trade periodicals. Macroeconomic conditions and investor psychology (which affects risk premiums), as well as company fundamentals, influence strategic and tactical equity selection and portfolio allocation.

Investment Strategies

Investment strategies include long term purchases (securities held for at least a year); short term purchases (securities sold within a year); trading (securities sold within thirty days); option purchases; option writing (limited to covered call options); margin transactions; and short sales.

Material Investment Risks

Investing in securities involves risk of loss that clients should be prepared to bear. Among those risks associated with the preceding investment strategies, and incorporated into XLM's security analysis, are:

- **Interest-rate risk:** Changes 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.
- **Reinvestment risk:** The risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return.
- **Market risk:** Changes in the overall market will have an adverse effect on individual securities regardless of the company's particular circumstances.
- **Business risk:** The risk associated with operations of a particular company. Changes in management or corporate operations could result in its defaulting on loans or entering bankruptcy.
- **Inflation risk:** Increases in the general price level that reduces the purchasing power of currency. Generally, fixed income securities are most vulnerable to this risk; equities historically are least susceptible.
- **Liquidity risk:** Liquidity measures the speed or ease of converting an investment into cash at the prevailing price. Liquid markets are deep, with many buyers and sellers, and are characterized by standardized products and low transaction costs. For example, U.S. Treasury securities are highly liquid, but residential real estate is not.
- **Regulatory risk:** An unexpected change in laws and regulations can affect the performance of a business or industry.
- **Currency risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. Also known as exchange rate risk, purchases of foreign equities (either directly or through American Depositary Receipts) carry this risk.
- **Opportunity Cost:** The forgone return on an alternative investment.

Individual Equity Investing

XLM primarily recommends individual equities, foreign and domestic. Individual equity portfolios generally do not exceed thirty different securities. Depending upon each client's individual objectives and risk tolerances, XLM may recommend equity options to hedge or speculate in the underlying individual securities. Furthermore, the amount of trading and turnover in client accounts may vary according to each client's own preferences and direction.

Among the risks assumed by the tactic of investing primarily in individual equities and options, and eschewing mutual funds, are:

- potentially higher portfolio volatility due to more concentrated equity holdings in a given portfolio;
- opportunity cost by failing to track a move higher in the broad equity market indices;
- more concentrated business risk in the portfolio;
- the total loss of principal invested in the purchase of option contracts;
- exchange rate risk, liquidity risk, and regulatory risk associated with holding equities in corporations domiciled and operating outside of the United States (including American Depositary Receipts);
- increased brokerage, other costs and taxes created by frequent trading;
- greater risks arising from holding equities during decelerating macroeconomic conditions, including higher risks of default, lower profit growth, and forgone income and appreciation from fixed income investments; and
- holding potentially less liquid individual securities compared to market liquidity generally.

DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose all legal or disciplinary events that are material to a client's or prospective client's evaluation of an advisory business or the integrity of its management. Neither XLM nor its management person have been involved in any legal or disciplinary events, including (but not limited to), a criminal or civil action in a court of competent jurisdiction, an administrative proceeding before any regulatory body in which it was found to have violated an investment related statute or regulation, or a self-regulatory organization proceeding in which it was found to have violated that organization's rules.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Neither XLM nor its management person are registered, or have an application pending to register, as a broker dealer or registered representative of a broker-dealer. Neither XLM nor its management person are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the preceding entities. Neither XLM nor its management person have any relationship or arrangement that is material to its advisory business or its clients with any other related person, including:

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 find)
3. other investment adviser or financial planner
4. futures commission merchant, commodity pool operator, or commodity trading adviser
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

XLM does not recommend or select other investment advisers for its clients, nor does it receive compensation directly or indirectly from any other advisers.

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

Code of Ethics

XLM has adopted a Code of Ethics. The Code of Ethics sets forth the standards of business conduct that XLM follows. XLM will provide a copy of the Code of Ethics to any client or prospective client upon request.

Participation or Interest in Client Transactions

XLM does not recommend to clients, nor buys or sells for client accounts, securities in which XLM has a material financial interest.

Personal Trading

XLM’s sole member and supervised person, Craig L. McKee, may from time to time buy or sell securities for his own account that XLM also recommends to its clients. Personal

securities transactions will not interfere with making decisions in the best interests of advisory clients.

BROKERAGE PRACTICES

Research and Other Soft Dollar Benefits

XLM has not and does not intend to enter into any contractual third-party soft-dollar arrangements, such as where we commit to place a specific level of brokerage with a specific firm in return for which the brokerage firm will pay for various research related products or services for us that are generally available for cash purchase.

Brokerage for Client Referrals

XLM does not receive client referrals from broker-dealers.

Directed Brokerage

XLM may recommend that you use a specified broker-dealer. When we decide to recommend a registered broker-dealer, we have considered the commission rates, execution capabilities, financial responsibility and responsiveness to instructions, and custodial services. If you choose to use a broker-dealer recommended by us as the custodian for your account, you may pay commissions in excess of those which another broker may charge. We do not receive any additional services from a recommended broker-dealer except execution services.

XLM shall not determine the broker-dealer to be used or the commission rates to be paid. Accordingly, you may direct us to utilize a specific broker-dealer of your choice to effect transactions for or with your account. You should understand that, in the case of such a directed brokerage arrangement:

- you will be solely responsible for negotiating the terms and arrangements on which those brokers and dealers are engaged, and we will have no responsibility for reviewing the fairness of those terms and arrangements;
- we will not seek better execution services or prices from other brokers and dealers in connection with transactions for your account;
- we will not be able to “batch” or “aggregate” transactions for your account with transactions for our other clients not subject to a similar such arrangement;
- we will not monitor the performance of or the services provided by the brokers and dealers so designated; and
- you may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices on transactions for the account than would otherwise be the case.

Trade Aggregation

XLM does not aggregate the purchase or sale of securities for various client accounts.

REVIEW OF ACCOUNTS

Reviews

Craig L. McKee, XLM's sole member, will review each client's investments, financial situation and needs, and investment objectives, at a minimum, on a quarterly basis. He will also conduct reviews as needed by changes in material conditions, and at any time upon client request.

Reporting

XLM will provide either oral or written reports upon client request and when there is a material change in conditions that affects a client. The reports will include a discussion of the client's securities held for investment and whether the securities continue to be suitable investments. XLM does not provide regular reports (written or oral) to clients.

CLIENT REFERRALS AND OTHER COMPENSATION

Other Compensation

XLM does not receive any economic benefit from any non-client for providing investment advice or other advisory services to clients.

Client Referrals

XLM does not compensate any person (directly or indirectly) for client referrals.

CUSTODY

XLM does not take custody of client funds or securities. XLM does not debit fees directly from a client account at a broker-dealer, bank or other qualified custodian.

INVESTMENT DISCRETION

XLM generally receives discretionary authority in writing from clients at the outset of an advisory relationship by way of a separately signed addendum to the XLM's agreement for investment advice with the client. If you choose to give us discretionary authority, you grant us the ability to determine, without obtaining your specific consent, the securities to purchase or sell for your portfolio and the amount and price of securities to be purchased or sold. In all cases,

however, such discretion is to be exercised in a manner consistent with your stated investment objectives for your account and by considering your risk tolerance.

In addition, you may sign an agreement with your third-party broker/dealer, which generally includes a limited power of attorney granting us authority to direct and implement the investment and reinvestment of your assets within your account, but not direct the assets outside of your account. A client's grant of discretionary trading authority shall not result in XLM having custody of any of a client's funds or securities, which shall at all times be held in an account with a third-party broker/dealer in the client's name, nor shall XLM have the authority to withdraw any funds for a client's account.

XLM may accept a limited power of attorney (or trading authorization) with the client's broker-dealer to act on a discretionary basis on behalf of the client. XLM may accept any reasonable limitation the client places on the account. All limitations that clients choose to place on discretionary accounts must be presented to XLM in writing.

VOTING CLIENT SECURITIES

XLM does not have authority to vote client securities. Clients will receive their proxies and other solicitations directly from their custodian or a transfer agent. Clients retain the responsibility for receiving and voting proxies and any legal proceedings for securities maintained in their portfolios. XLM does not take actions on behalf of clients with respect to any legal proceedings, including bankruptcy and shareholder litigation. If requested, XLM may provide advice to clients regarding proxy votes and legal proceedings. Clients may contact XLM at (734) 426-8560 for information about proxy voting.

FINANCIAL INFORMATION

XLM does not serve as a custodian for client funds or securities, and does not require prepayment of more than \$1,200 in fees per client, six months or more in advance. XLM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been subject to a bankruptcy proceeding.

REQUIREMENTS FOR STATE-REGISTERED ADVISERS

As described in further detail in our Part 2B of Form ADV, also called our Brochure Supplement, Craig L. McKee formed our firm in 2004 and served as our Chief Compliance Officer. Mr. McKee has over 15 years experience in the financial services industry.

CRAIG L. MCKEE
PART 2B OF FORM ADV – BROCHURE SUPPLEMENT

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Additional information about Mr. McKee is available on the SEC's website at www.adviserinfo.sec.gov.

EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

Craig L. McKee was born in 1960.

Following graduation from high school, Mr. McKee received a BA from Kalamazoo College with a major in economics. He was honored as first in the class of graduating economics students. Mr. McKee also studied undergraduate economics at the London School of Economics in London, England.

Mr. McKee continued his studies at the University of Michigan where he enrolled in both the doctoral program in economics and the law school. While at the University of Michigan, Mr. McKee taught undergraduate macroeconomics and specialized in international trade economics and international trade law. In 1986, Mr. McKee graduated from the University of Michigan with a law degree and a Masters degree in economics.

Following graduation from the University of Michigan, Mr. McKee practiced law for ten years. He served as an attorney in the general counsel's office at the United States International Trade Commission. There, he was a member of the U.S. delegation negotiating laws governing the World Trade Organization in Geneva, Switzerland. Mr. McKee subsequently joined the international trade law practice of O'Melveny and Myers in Washington, DC, where he represented multinational corporations in administrative and judicial proceedings.

In 1996, Mr. McKee decided to return to the State of Michigan. Having managed his own portfolio of equities and studied finance theory, he changed careers, joining Merrill Lynch where he worked as a broker from 1996-1997. In 1997, Mr. McKee left Merrill Lynch to start his own business specializing in the management of portfolios consisting of individual equities and options (and not mutual funds). Following years of being organized as a sole proprietor, Mr. McKee formed XLM Capital Management, LLC in 2004.

Mr. McKee is the sole managing member of XLM.

DISCIPLINARY INFORMATION

There are no legal or disciplinary events material to a client's or prospective client's evaluation of the supervised person, Craig L McKee.

OTHER BUSINESS ACTIVITIES

Craig L. McKee is not actively engaged in any other investment-related business or occupation. He is licensed as an attorney in the District of Columbia, various Federal Courts, and the State of Michigan, but he is not in the business of providing legal advice to clients. The practice of law constitutes an insubstantial (less than ten percent) use of his time and for which he receives no compensation.

ADDITIONAL COMPENSATION

Craig L. McKee receives no economic benefit from any non-client for providing advisory services.

SUPERVISION

Craig L. McKee is the sole supervisor and supervised person at XLM.

REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Craig L. McKee has not been found liable in any arbitration, civil, self-regulatory, or administrative proceeding or has been the subject of a bankruptcy petition.