

FSM Capital Management, LLC

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This brochure provides information about the qualifications and business practices of FSM Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at (216) 916-8420. 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 FSM Capital Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

December 31, 2014

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Item 2 Material Changes

Annual Update

FSM Capital Management LLC is providing this information as part of our annual updating amendment which contains material changes from our last annual update. In the future, this page will summarize material changes made to our brochure. We will also reference the date of our last annual update.

Material Changes since the Last Update

The Securities and Exchange Commission adopted amendments to Part 2 of Form ADV Effective October 2010. The newly revised Part 2 consists of Part 2A (the “Brochure”) and Part 2B (the “Brochure Supplement”). Each update of the Brochure must now include a summary of all material changes since the last update.

There are no material changes to report.

Full Brochure Availability

The Firm Brochure for FSM Capital Management, LLC is available by contacting Christina Perry at (216) 916-8420.

All clients that have engaged FSM for Financial Planning, Bill-Pay, and/or Asset Management services during 2014 are being sent a full copy of our brochure by March 31, 2015.

Item 4 Advisory Business

Firm Description

Fairway Sports Management, LLC, doing business as FSM Capital Management, LLC since July 2007, offers personalized investment advisory services to clients. We are a privately held, stand-alone entity, with no subsidiaries. We are a limited liability company formed under the laws of the State of Ohio. We specialize in Financial Planning, Tax Compliance, Estate Planning, Risk Management, Asset Management, and Bill Paying Services and Concierge Services.

Principal Owners

The principal owners of FSM Capital Management LLC are Terrence P. Fergus, CPA, PFS, and David A. Lightner, CPA, CFP®. They collectively own over 70% of the firm.

Types of Advisory Services

As mentioned above, we specialize in several areas of overall Wealth Management. See below for a more detailed description of each of those services.

Financial Planning

We provide on-going financial planning services in the form of written financial plans and financial planning consultations. Our clients must execute an agreement for services prior to receiving such services. These services may be specific or modular in their preparation, and are unique to each client in their depth of preparation. Financial planning services may take into consideration factors such as the client's objectives, risk tolerance, investment knowledge, net worth, income, age, projected retirement, funding requirements, inheritance possibilities, pensions, social security, children, estate issues, and current living expenses requested for retirement. Financial planning services may focus on specific topics such as:

- Tax compliance
- Risk Assessment and planning
- Debt planning
- Negotiation
- Insurance advice and planning
- Coordination of U.S. bill paying services

Tax Compliance

We prepare for our clients U.S. Federal, State, and Local tax returns during the term of our relationship. Additionally, for our international clients, we prepare, and/or assist in preparing their foreign tax returns. The tax compliance needs of our clients vary, and are assessed individually with each client.

Estate Planning

We design sophisticated estate plans to mitigate the effects of estate taxes on wealth transfers to future generations. We help our clients plan for the preservation of current wealth by running projections for various alternative scenarios under which client estates can be structured for the most efficient disposition of their assets, in close consultation with their legal advisors. We review existing wills, trusts, and other legal instruments, and align them with each individual client's needs.

Asset Management

FSM Capital Management, LLC, has relationships with other third party money managers, including MAI Wealth Advisors (“MAI”) and Ancora Advisors (“Ancora”). These money managers act as a co-advisor on client accounts with us.

We have entered into a purchase relationship with MAI whereby a portion of MAI clients were transferred to FSM. MAI acts as a co-advisor on the client accounts, and has discretionary trading authorization, and also provides on-going supervision and account management services.

We have also developed a relationship with Ancora Advisors whereby we act as introducing advisor, and introduce clients to Ancora for its portfolio management services. If a client engages Ancora, FSM is paid a portion of the fee charged and collected by Ancora.

In these instances, we provide on-going supervision and management services on the accounts, while MAI or Ancora maintains trading authorization over the accounts. Accounts through this program with MAI are held and cleared through National Financial Services, LLC (“NFS”), while accounts through the program with Ancora are held and cleared through Pershing, LLC (“Pershing”).

Bill Paying and Concierge Services

FSM functions as our clients’ family office in regards to financial and investment affairs. Depending on your needs, we may act as your liaison with your vendors, lenders and other professional advisors. In order to engage our bill-paying services, your FSM Advisor is given power-of-attorney on your checking accounts. We then receive your bills each month, and pay them directly out of your account as needed. Each month, those bank accounts are reconciled, and clients are mailed their monthly reconciliation along with a statement summarizing all financial activity for that month. It is the client’s responsibility to compare the statements they receive from their custodian to the statements sent to them by FSM.

Client Relationships

We tailor all services to the needs of each specific client depending on the types of services rendered and client complexity. For example, we do not use model portfolios for all clients. In discussing asset allocation and risk tolerance with our clients, there may be restrictions imposed on investing in certain securities or types of securities. Additionally, although FSM has exiting relationships with MAI and Ancora, we allow for our clients to maintain their pre-existing banking relationships as well, with other custodians and/or money managers.

Managed Client Assets

As of December 31, 2014, we managed approximately \$259.3 million dollars in assets. Of this amount, we managed \$201 million dollars on a discretionary basis, and \$58 million dollars on a non-discretionary basis. These numbers were calculated using the same methods used in calculating Assets under Management required for Item 5.F in Part 1A.

Item 5 Fees and Compensation

Financial Planning Services

FSM's fee structure varies based on the services clients have engaged us to provide for them. Financial Planning, Tax Compliance, and other consulting services are billed on a fixed fee arrangement. This includes estate planning, bill-paying services, and any other consulting clients may receive from FSM. The exact fixed fee arrangement charged to an individual client is determined by and negotiated in consideration of such factors as the complexity of the client's situation, the actual services provided, and the associated advisor representative providing the service. The fees range from \$10,000 to \$125,000 annually. The fixed fee arrangement is agreed upon with the client in writing.

Fees for financial planning services are billed in advance, monthly or quarterly, depending on the needs of the client. Fees are generally deducted directly from the client account, unless the client specifically requests to pay the bill directly. Other, non-recurring consulting engagements are billed as services are performed.

Asset Management Fees

Annual fees for asset management services are billed based on varying percentages of the client's assets, usually between 0.5% and 1.0% annually. We then pay a portion of the fee collected to MAI or Ancora, usually ranging between 25% and 50% of the fee collected by us. The annual fee is divided and charged quarterly, based on the value of the account at the end of each quarter.

Fees are generally deducted directly from the client's account. All clients provide written authorization to NFS and/or Pershing, permitting our fees to be paid directly from the clients account held by the custodian. Upon our discretion, clients may pay fees directly to FSM. For those clients that pay directly, payment is due upon receipt of the billing statement from FSM.

NFS and/or Pershing will send each client their account statements, at least quarterly, showing all disbursements for the account including the amount of the advisory fee, if deducted directly from the account. It shall be the responsibility of both FSM Capital Management, and the client, to verify the accuracy of the fee calculation. It is not the responsibility of the custodian (Pershing or NFS) to determine whether the fee is properly calculated.

Brokerage commissions and/or transaction ticket fees charged by the custodian will be billed directly to the client's account by the custodian. We do not receive any portion of such commissions or fees from the custodian or client. In addition, clients may incur certain charges imposed by third parties other than Advisor in connection with investments made through the account, including but not limited to, mutual fund sales loads, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges, and IRA and qualified retirement plan fees, if applicable.

Termination of Client Relationships

The client agreement shall remain in effect until terminated by either party upon a sixty (60) day notice. However, services may be terminated within five (5) business days of executing the agreement without penalty (no fees due and/or a complete refund of any fees paid in advance). After the initial five (5) business days, the client is responsible for paying fees for the time and effort expended by FSM prior to

termination. A pro-rated refund or a pro-rated charge will be made to the client, depending on the time spent by us on services at the time notice of termination was received. We will provide a billing statement summarizing all charges and an explanation of the pro-rated refund due to the client or the pro-rated charges due from the client.

Item 6 Performance Based Fees and Side-by-side Management

We do not receive performance based fees other than those which have occurred solely based on the capital appreciation of the clients' investment accounts, which was described under the Fees and Compensation section.

Item 7 Types of Clients

FSM Capital Management, LLC generally provides investment advice to the following types of clients:

- Individuals (including Trusts and Estates)
- High-Net Worth Individuals
- Charitable Foundations

All clients are required to execute an agreement for services in order to establish a client relationship with us.

Clients are not required to meet minimum investment levels to work with FSM. However, when you choose a third party investment advisor, they may impose minimum investment levels that vary from advisor to advisor and even program to program. You will need to refer to the third party investment advisor firm's Disclosure Brochure for information regarding their account minimums.

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

Our asset management approach revolves around picking outside managers and using outside investment consultants to create a dynamic asset allocation model across six major asset classes. The investments are then made with our forward looking view of market fundamentals.

FSM Capital Management, LLC uses the following methods of analysis in formulating investment advice.

Our firm primarily uses a fundamental approach to investment analysis. Fundamental analysis is a method of evaluating a company or security by attempting to measure its intrinsic value. In other words trying to determine its true value by looking at all aspects of the business, including both tangible factors (e.g., growth rate, machinery, buildings, land, etc.) and intangible factors (e.g., patents, trademarks, "brand" names, etc.). Fundamental analysis also involves examining related economic factors (e.g., overall economy and industry conditions, etc.), financial factors (e.g., dividends, company debt, interest rates, management salaries and bonuses, etc.), qualitative factors (e.g., management expertise, industry cycles, labor relations, etc.), and quantitative factors (e.g., debt-to-equity and price-to-equity ratios).

The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price to determine the position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis uses real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for most security types.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong, and could therefore, lead to an unfavorable investment decision.

An important sub-category of fundamental analysis is cyclical analysis which is used to analyze the investments sensitive to business cycles whose performance is strongly tied to the overall economy. One of the most important cyclical considerations is whether the economy is being subjected primarily to inflationary or deflationary forces. This consideration influences FSM Capital Management's asset selections, many of which are sector plays that perform based on whether inflationary or deflationary forces are dominant. Stocks of individual companies tend to move based on cyclical factors as well. For example, cyclical companies make products or provide services that are in lower demand during downturns in the economy and higher demand during upswings. Examples include the automobile, steel, and housing industries. The stock price of a cyclical company will often rise right before an economic upturn begins, and fall right before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, immediately before a turnaround begins.

While most economists and investors agree that there are cycles in the economy that need to be respected, the duration of these cycles is generally unknown. An investment decision to buy at the bottom of a business cycle may actually turn out to be a trade that occurs before or after the bottom of the cycle. If completed before the bottom, then downside price action can result prior to any gains. If completed after the bottom, then some upside price action may be missed. Similarly, a sell decision meant to occur at the top of a cycle may result in missed opportunity or unrealized losses.

FSM Capital Management, LLC uses the following general investment strategies when managing client assets and/or providing investment advice.

- ✓ Long term purchases - Investments held at least a year.
- ✓ Short term purchases - Investments sold within a year.
- ✓ Trading - Investments sold within 30 days.
- ✓ Tactical asset allocation. Allows for a range of percentages in each asset class (such as Stocks = 40-50%). These are minimum and maximum acceptable percentages that permit the investor to take advantage of market conditions within these parameters. Thus, a minor form of market timing is possible, since the investor can move to the higher end of the range when stocks are expected to do better and to the lower end when the economic outlook is bleak. We feel that the

successful implementation of the tactical asset allocation allows us to reduce risk within the client portfolios below that of standard market risk.

- ✓ Strategic asset allocation. Calls for setting target allocations and then periodically rebalancing the portfolio back to those targets as investment returns skew the original asset allocation percentages. The concept is akin to a “buy and hold” strategy, rather than an active trading approach. Of course, the strategic asset allocation targets may change over time as the client’s goals and needs change and as the time horizon for major events such as retirement and college funding grow shorter.

Item 9 Disciplinary Information

Registered investment advisors are required to disclose all material facts regarding 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. To our knowledge, there are no such legal or disciplinary events that would be disclosed in this section.

Item 10 Other Financial Industry Activities and Affiliations

Broker/Dealer Registrations

Currently, one of FSM’s management persons may sell securities (typically limited to variable annuity products) to clients for commissions in their separate capacities as registered representatives of Safeguard Securities, Inc.; Terrence Fergus..

This situation could present a conflict of interest since the management person may receive commissions (in addition to fees earned by FSM) if the client chooses to implement the recommendations of FSM through the management person in their separate capacities as registered representatives. Clients are not obligated to implement any recommendation through FSM or through its associated persons in their separate capacities as registered representatives. Clients are free to choose any broker/dealer they wish to purchase and implement commissionable products.

Additionally, one of FSM’s owners, and a member of the Board of Directors, is an investment advisor. The affiliated investment advisor has a business arrangement with FSM, which is material to FSM’s advisory business. This could present a conflict of interest as that Board Member may receive a direct benefit from this business relationship.

Other Material Relationships or Related Parties

FSM Capital Management is not and does not have a related company that is a (1) broker/dealer, municipal securities dealer, government securities dealer or broker, (2) futures commission merchant, commodity pool operator or commodity trading adviser, (3) 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), (4) other investment adviser (5) financial planning firm, (6) banking or thrift institution, (7) lawyer or law firm, (8) insurance company or agency, (9) pension consultant, (10) real estate broker or dealer, or (11) sponsor or syndicator of limited partnerships.

Business Relationships that may create a Conflict of Interest

As described in Item 4 – Advisory Business and Item 5 – Fees and Compensation, FSM, has formed relationships with independent, third-party money managers. As disclosed in those items, we may recommend clients work directly with third-party money managers. When FSM refers clients to a third party money manager, clients should know that the firm will receive a portion of the fee charged by the third party money manager. Therefore, FSM has a conflict of interest in that it may only recommend third party money managers that will agree to compensate the firm by paying us a portion of the fees billed to client accounts managed by the third party money manager.

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

Code of Ethics

We have established a Code of Ethics that will apply to all of our associated persons. An investment adviser is considered a fiduciary. As a fiduciary, it is our responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Our fiduciary duty is considered the core underlying principle for FSM's Code of Ethics which also includes insider trading and personal securities transactions policies and procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. FSM Capital Management's Code of Ethics is consistent with the American Institute of Certified Public Accountants Code of Ethics due to the nature of tax and financial planning services provided to our clients.

Upon employment or affiliation and when changes occur to the Code of Ethics, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. FSM has the responsibility to make sure that the interests of all clients are placed ahead of ours or our supervised person's own investment interest. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to any services being conducted. FSM, and our supervised persons, must conduct business in an honest, ethical and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

Securities in which FSM has a Financial Interest

FSM assisted in structuring a private placement offering to raise capital for the startup of a new luxury spirits and champagne company, Toast Spirits, LLC. The President and CEO of this company has extensive experience in the spirits industry and has created a unique and innovative business plan to approach the market with. We are disclosing a conflict of interest when presenting this investment to client as members of our management team will serve on the Board of Directors of Toast Spirits LLC and FSM will be compensated for providing accounting services to the company. We are not receiving any compensation for capital raised in this offering.

Supervised persons of FSM Capital Management have invested in Avitae Holdings LLC (“Avitae”), a private placement offering, at or about the same time that certain FSM advisory clients have also invested in the same offering. This poses a potential conflict of interest for those individuals. One of those supervised individuals also serves as the managing member of Avitae and serves on the Board of Directors. FSM is not compensated in any way related to services it provides Avitae Holdings, which include collection and disbursement of investor funds and tax compliance services.

Supervised persons of FSM Capital Management have invested in For Us LLC (“For Us”), a private partnership, at or about the same time that certain FSM advisory clients have also invested in the same offering. This poses a potential conflict of interest for those individuals. One of those supervised individuals also serves as the managing members of For Us. FSM is not compensated in any way related to services it provides For Us, which include collection and disbursement of investor funds, bill payment services, and tax compliance services.

Supervised persons of FSM Capital Management have invested in VA Development LLC (“VA Development”), a private partnership, at or about the same time that certain FSM advisory clients have also invested in the same offering. This poses a potential conflict of interest for those individuals. A supervised individual also served as the managing member of VA Development temporarily. FSM received compensation in the form of a one-time consulting retainer for services it provides VA Development, which includes collection and disbursement of investor funds, bill payment services, and tax compliance services.

Personal Securities Trading Review

FSM and our supervised persons may buy or sell securities or hold a position in securities identical to the securities recommended to clients. It is our policy that no supervised person will put his or her interest before a client’s interest. Supervised persons may not trade ahead of any client or trade in a way that would cause the supervised person to obtain a better price than the price a client would obtain. It is the supervised person’s responsibility to know which securities are being traded by FSM. Supervised persons can consult with the Chief Compliance Officer (“CCO”) to determine whether a security is an appropriate purchase or sale. In addition, all supervised persons are prohibited from trading on non-public information and from sharing such information. We do not allow short swing trading or market timing.

Per the requirements of Rule 204A-1 of the Advisor’s Act, all persons associated with FSM who are also considered access persons will be required to report all securities transactions to the CCO. An access person has been defined by the SEC, under Rule 204A-1(e)(1). Access persons must report trades implemented for a personal account, an account of any of their household family members, or any account for which the access person acts as a trustee. Personal securities transactions that need to be reported include: stocks, bonds, limited partnerships, options, and other general securities. It is the policy of FSM to ensure that investment opportunities are offered first to clients before they are acted upon by Advisor, in its proprietary accounts, or FSM access persons act on them.

Item 12 Brokerage Practices

Factors Considered in Selecting Broker/Dealers

Clients wishing to implement the advice of FSM Capital Management are free to select any broker/dealer or investment advisor they wish and are so informed. For clients that wish to have us implement its advice, we recommend clients establish accounts through Fidelity Brokerage Services LLC, National Financial Services LLC, or Pershing LLC. The primary factor in suggesting a broker/dealer is that the services are provided in a cost-effective manner. Best execution of client transaction is an obligation we take seriously and is a catalyst in the decision of suggesting a broker/dealer. While quality of execution at the best price is an important determinant, it does not necessarily mean lowest price and it is not the sole consideration. The trading process of any broker/dealer suggested by us must be efficient, seamless, and straight-forward. Overall custodial support services, trade correction services and statement preparation are some of the other factors determined when suggesting a broker/dealer.

While there is no direct linkage between the investment advice given to clients, and our recommendation and use of Fidelity or Pershing, economic benefits are received by FSM which would not be received if we did not give investment advice to our clients. Some of the benefits received from Fidelity and Pershing include: a dedicated trade desk for us to use, a dedicated service group and an account services manager dedicated to the FSM accounts, access to real-time order matching systems, ability to block clients' trades, electronic download of trades, balances and position information, access for a fee to an electronic interface with Fidelity and Pershing software, duplicate and batched client statements, confirmations and year-end summaries, the ability to have advisory fees directly debited from client accounts (in accordance with federal and state requirements), availability of third-party research and technology, a quarterly newsletter, access to mutual funds, and the ability to have loads waived for our clients who invest in certain loaded funds when certain conditions are met and maintained.

Research, Soft Dollar and Referral Arrangements

Currently, FSM does not have any soft dollar arrangements, or referral arrangements.

Trading Aggregation

Our trading policy is to implement all client orders on an individual basis. Therefore, we do not aggregate or "block" client transactions. Considering the types of investments we hold in advisory client accounts, we do not believe clients are hindered in any way because we trade accounts individually. This is because we develop individualized investment strategies for clients and holdings will vary. Further, the investments we are responsible for trading in client accounts are typically limited to mutual funds, ETFs, and other broadly traded positions. Our strategies are primarily developed for the long-term and minor differences in price execution are not material to our overall investment strategy.

Items 13 Review of Accounts

Periodic Review of Client Accounts

The Advisor Representatives of FSM Capital Management LLC are in charge of reviewing and monitoring their client accounts. Accounts are reviewed at least quarterly with the underlying investments reviewed on a more frequent basis. When third-party investment advisors are selected to manage all or a

portion of the clients' accounts, the advisor representative will meet with the third-party investment advisor at least quarterly.

We will also meet with clients at frequencies determined by each client. The frequency of these meetings ranges from monthly to annually, depending upon the requirements set by the client. In addition, the tax compliance and consulting are also covered at these reviews.

Financial plans are reviewed at least quarterly by advisor representative personnel and reviewed with the client at least annually. The financial plan review covers all areas of an individual's financial affairs including but not limited to estate planning, wills and trusts, retirement accounts and savings, investment performance and risk tolerance, tax compliance, accounting and bill-pay needs, insurance needs, and various other matters. Topics covered in the annual review for each client differ due to their specific individualized needs.

Client Reporting

For those clients of the bill-pay services, to which we have banking authority on their checking accounts, we provide a monthly cash reconciliation and cash flow report to each client, as well as quarterly and annual compilations of their assets. Clients of our asset management services and bill-pay services receive monthly account statements directly from the custodian at which their accounts are maintained. Annually clients may also receive a comprehensive summary of their financial activities for the previous year. The information included in each annual report varies client to client, and is set to each client's financial needs.

Item 14 Client Referrals and Other Compensation

Clients are advised that one of our members, David A. Lightner, prior to joining FSM Capital Management LLC, was an account executive with MAI Wealth Advisors (MAI) for twenty-five years. As an account executive with them, Lightner was involved with wealth management services that included financial planning, tax consulting, and portfolio management. When he departed from MAI on April 1, 2007, Lightner, FSM and MAI entered in a Separation, Mutual Non-Solicitation and Professional Services Agreement ("Agreement"). The Agreement held the following provisions:

- FSM made a payment of \$750,000 upon execution of the agreement
- Lightner guaranteed to pay MAI \$1,000,000 on or before June 30, 2014. Such payment is reduced by the amount of all payments received by MAI for investment advisory services.

Mr. Lightner and FSM receive a direct economic benefit from clients being referred to MAI. Further, we may have a conflict of interest by offering those third-party investment advisors that have agreed to pay a portion of their advisory fees to FSM. Clients are advised that there may be other third-party managed programs that may be suitable to the client that may be more or less costly. No guarantees can be made that the client's financial goals or objectives will be achieved. Further, no guarantees of performance can be offered. Investments involve risk, including the possible loss of principal.

Items 15 Custody

This section provides disclosure regarding our activities that are deemed to be custody by rules set forth under the Investment Advisors Act of 1940. We provide bill paying services to clients. Through this service, FSM advisor representatives will be granted check writing privileges on each client's bank accounts. In addition, we may accept and forward client securities (e.g. stock certificates), to a qualified custodian on behalf of the client. Finally, we are generally given the authority to have fees deducted directly from client accounts and paid to FSM Capital Management LLC.

We have developed internal policies and procedures to control for the risk associated with having access to and/or control over client funds and securities. We have established procedures to ensure all client funds and securities are held at a qualified custodian (such as a broker/dealer or bank) in a separate account for each client under that client's name. Clients or an independent representative of the client (other than an affiliated person of FSM) are also notified, in writing, of the qualified custodian's name, address, and the manner in which the funds or securities are maintained, promptly when the account is opened and following any changes. Finally, the account statements are delivered directly from the qualified custodian to each client, or the client's independent representative (other than an affiliated person of FSM), at least quarterly.

In 2010, the SEC adopted amendments to Rule 206(4)-2, the Custody Rule, under the Investment Advisor's Act of 1940 which governs custody arrangements for Registered Investment Advisors. The amendments are intended to provide additional safeguards under the Advisor's Act when a registered adviser has custody over client funds or securities. This amendment requires us to undergo an annual surprise examination by an independent public accountant to verify client assets. The independent accountant must be registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board (PCAOB). The amendment requires the independent accountant to notify the SEC within one business day of finding any material discrepancies, and also requires them to submit a form ADV-E to the SEC accompanied by a certificate with 120 days of the date of the surprise examination, stating that the accountant has examined the client funds and securities and describing the nature and extent of the examination. FSM has complied with this requirement, and undergoes a surprise examination annually.

Despite our best efforts to protect client funds, we urge clients to compare statements received directly from their custodians to the statements received from FSM.

Item 16 Investment Discretion

We may provide investment supervisory services on a discretionary basis and when doing so, maintain the discretion to determine the securities to be purchased or sold and the amount of securities to be purchased or sold. In cases where third party investment managers are utilized to manage client assets, the investment manager may provide its services on a discretionary basis.

Upon engaging FSM, the client will sign an engagement letter defining the terms of the engagement and expected fees for services. This letter will be accompanied with several addendums depending on services engaged by the client. The addendum may include a power of attorney, and investment management agreement authorizing us with discretionary or non-discretionary authority, new account forms required

by the qualified custodian, risk tolerance addendums, etc. Note that addendums may differ depending on each specific client's needs.

Item 17 Voting Client Securities

We do not vote proxies for securities held in client accounts. Even though we may have discretionary authority to make investment decision on behalf of clients, we will not exercise proxy voting authority over client securities. Clients shall be instructed to inform its custodian that FSM will not be designated as the party to receive information on voting client proxies. The obligation to vote client proxies shall, at all times, rest with the client. Should FSM inadvertently receive proxy information for a security held in a client's account, we will immediately forward such information on to the client, but will not take any further action with respect to the voting of such proxy.

Upon termination of an agreement, FSM shall make a good faith and reasonable attempt to forward proxy information inadvertently received by us on behalf of a client to the forwarding address provided by the client to us. We will not take any action with regard to class action suits for stocks owned by our clients.

Item 18 Financial Information

We do not solicit or require prepayment of fees greater than \$1,200 six months or more in advance.

FSM has never been the subject of a bankruptcy petition that would impair our ability to meet our financial commitments.

Form ADV Part 2B – Brochure Supplement – David A. Lightner

David A. Lightner

6060 Parkland Blvd Suite 100
Cleveland, OH 44124
(215) 916-8420

This brochure supplement provides information about David A. Lightner that supplements the FSM Capital Management LLC Brochure. You should have received a copy of that brochure. Please contact Christina Perry if you did not receive FSM Capital Management LLC's brochure or if you have any questions about the contents of this supplement.

Additional information about David A. Lightner is available on the SEC's website at
www.adviserinfo.sec.gov

Educational Background and Business Experience

David A. Lightner holds the CPA and CFP licenses. He was born in 1960, attended Ashland College and earned a Bachelor's Degree in Finance and Economics.

Mr. Lightner has been with FSM since July 2007 where he serves as one of the firm's principals. Prior to this he was with MAI Wealth Advisors from 1985 through 2007 where he managed professional athlete's finances in a family office forum. His area of focus includes financial planning, tax and investments.

A Certified Public Accountant (CPA) primarily provides financial audit services, including attesting to the reasonableness of disclosures, freedom from material misstatements and adherence to applicable generally accepted accounting principles. To become a CPA, a candidate must pass the Uniform Certified Public Accountant Examination set by the American Institute of Certified Public Accountants and administered by the National Association of State Boards of Accountancy. Typically, eligibility to sit for the examination requires a candidate to have a Bachelor's Degree that includes a minimum number of qualifying credit hours in accounting and business administration plus an additional one year study. Candidates are also required to have public accounting work experience, with minimum requirements varying from state to state. Applicants for CPA status must also complete a special examination on ethics, including a review of state specific rules for professional practice. All CPAs are required to take continuing education courses. The requirements vary by state but usually require 120 hours of continuing education every three years with at least 20 hours taken every year. Many states require CPAs to take an ethics course during every renewal period, with courses ranging from 2-8 hours.

The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (with flame design) marks (collectively, the "CFP® marks") are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. ("CFP Board").

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board's studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor's Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board's financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one's ability to correctly diagnose financial planning issues and apply one's knowledge of financial planning to real world circumstances;

- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s Standards of Professional Conduct, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the Code of Ethics and other parts of the Standards of Professional Conduct, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the Standards of Professional Conduct. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board’s enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

CFP Acknowledgment: (ADVISOR) acknowledges his responsibility as a CFP® Certificant to adhere to the standards that have been established in the CFP Board’s Standards of Professional Conduct. If you become aware that (ADVISOR)’s conduct may violate the Standards of Professional Conduct, you may file a complaint with the CFP Board at www.CFP.net/complaint.

Disciplinary Information

Mr. Lightner has not been involved in a legal or disciplinary event.

Other Business Activities

Mr. Lightner is not actively engaged in any other investment related business or occupation.

Additional Compensation

Mr. Lightner does not receive an economic benefit for providing advisory services from anyone who is not a client.

Supervision

Mr. Lightner reports to the Board of Directors of FSM. He is required to meet the compliance requirements of the Chief Compliance Officer, Christina Perry.

Form ADV Part 2B – Brochure Supplement – Terrence P. Fergus

Terrence P. Fergus

6060 Parkland Blvd Suite 100
Cleveland, OH 44124
(215) 916-8420

This brochure supplement provides information about Terrence P. Fergus that supplements the FSM Capital Management LLC Brochure. You should have received a copy of that brochure. Please contact Christina Perry if you did not receive FSM Capital Management LLC's brochure or if you have any questions about the contents of this supplement.

Additional information about Terrence P. Fergus is available on the SEC's website at www.adviserinfo.sec.gov

Educational Background and Business Experience

Terrence P. Fergus holds the CPA and PFS professional licenses. He was born in 1954 and attended Cleveland State University where he earned a Bachelor's of Science in Business Administration and Accounting.

Mr. Fergus has been with FSM since July 2007 where he serves as the firm's President and is one of the firm's principals. Prior to this he was principal at Sustin, Bartell, Waldman & Fergus, Ltd., an accounting practice where he serviced the financial needs of a broad array of clients. His specialties include insurance consulting, executive compensation; financial, estate, and retirement planning and qualified and nonqualified retirement plans. Mr. Fergus was with KPMG from 1982 through 2001 where he serviced as a partner from 1990 to 2001 and was a member of the Personal Financial Planning Operating Committee. Mr. Fergus is licensed as an independent insurance agent. In addition, he has been a registered representative of Safeguard Securities, Inc. as of January 2010.

A Certified Public Accountant (CPA) primarily provides financial audit services, including attesting to the reasonableness of disclosures, freedom from material misstatements and adherence to applicable generally accepted accounting principles. To become a CPA, a candidate must pass the Uniform Certified Public Accountant Examination set by the American Institute of Certified Public Accountants and administered by the National Association of State Boards of Accountancy. Typically, eligibility to sit for the examination requires a candidate to have a Bachelor's Degree that includes a minimum number of qualifying credit hours in accounting and business administration plus an additional one year study. Candidates are also required to have public accounting work experience, with minimum requirements varying from state to state. Applicants for CPA status must also complete a special examination on ethics, including a review of state specific rules for professional practice. All CPAs are required to take continuing education courses. The requirements vary by state but usually require 120 hours of continuing education every three years with at least 20 hours taken every year. Many states require CPAs to take an ethics course during every renewal period, with courses ranging from 2-8 hours.

The Personal Financial Specialist (PFS) designation is awarded by the American Institute of Certified Public Accountants (AICPA). Candidates for this designation must meet the following pre-requisites: (1) be a member of AICPA, (2) hold an unrevoked Certified Public Accountant certificate issued by a state authority and (3) have at least two years of full-time business personal financial planning experience or 3,000 hours of equivalent experience (including up to 1,000 hours of tax compliance) within the five year period preceding the date of applying for designation. Candidates are required to have a minimum of 80 hours of continuing education within the five year period preceding their application for the designation and must pass a Final Certification Exam. Every three years, designees must complete 60 hours of continuing education related to the personal financial planning body of knowledge.

Disciplinary Information

Mr. Fergus has not been involved in a legal or disciplinary event as required to be disclosed by the requirements of the Disclosure Brochure and/or Brochure Supplements.

Other Business Activities

Mr. Fergus is actively engaged in Bank Owned Life Insurance (BOLI) Consulting with various financial institutions. Mr. Fergus provides consulting services to financial institutions for compensation that is

considered substantial to his overall income. Additionally, this consulting involves a substantial amount of Mr. Fergus' time. This compensation is earned in his capacity as a registered securities representative and licensed insurance agent in the state of Ohio with Safeguard Securities, Inc.

Additional Compensation

Mr. Fergus does not receive an economic benefit for providing advisory services from anyone who is not a client.

Supervision

Mr. Fergus reports to the Board of Directors of FSM. He is required to meet the compliance requirements of the Chief Compliance Officer, Christina Perry.

Form ADV Part 2B – Brochure Supplement – Thomas J. Bertsch

Thomas J. Bertsch

6060 Parkland Blvd Suite 100
Cleveland, OH 44124
(215) 916-8420

This brochure supplement provides information about Thomas J. Bertsch that supplements the FSM Capital Management LLC Brochure. You should have received a copy of that brochure. Please contact Christina Perry if you did not receive FSM Capital Management LLC's brochure or if you have any questions about the contents of this supplement.

Additional information about Thomas J. Bertsch is available on the SEC's website at www.adviserinfo.sec.gov

Educational Background and Business Experience

Thomas J. Bertsch was born in 1974 and attended John Carroll University, earning a Bachelor of Science and Business Administration in Accounting. Mr. Bertsch has been with FSM since July 2007 where he serves as one of the firm's principals. Prior to this, he was with MAI Wealth Advisors from 1998 – 2007 where he was responsible for managing professional athletes' finances in a family office forum. His areas of focus include financial planning, tax, and investments.

Disciplinary Information

Mr. Bertsch has not been involved in a legal or disciplinary event as required to be disclosed by the requirements of the Disclosure Brochure and/or Brochure Supplements.

Other Business Activities

Mr. Bertsch is not actively engaged in any other investment related business or occupation.

Additional Compensation

Mr. Bertsch does not receive an economic benefit for providing advisory services from anyone who is not a client.

Supervision

Mr. Bertsch reports to the Board of Directors of FSM. He is required to meet the compliance requirements of the Chief Compliance Officer, Christina Perry.