

FSI Capital Holdings, LLC

Part 2A of Form ADV: Firm Brochure **March 24, 2015**

FSI Capital Holdings, LLC
237 Park Avenue, 8th Floor
New York, New York 10017
212.847.6615
www.fsicapital.com

This brochure provides information about the qualifications and business practices of FSI Capital Holdings, LLC (“FSI” or the “firm” or “we”). If you have any questions about the contents of this brochure, please contact us at 212.847.6615 or by email at info@fsicapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about FSI Capital Holdings, LLC is also available on the SEC’s website at www.adviserinfo.sec.gov (click on the link, select “investment adviser firm” and type in our firm name).

We are a registered investment adviser with the SEC. Our registration as an investment adviser with the SEC does not imply a certain level of skill or training.

Item 2: Material Changes.

This section of our brochure is intended to provide clients with a summary of material changes (if any) that are incorporated herein since the last annual update of our brochure.

This summary of material changes identifies, and briefly discusses, only the material changes to our brochure since its last annual update on March 31, 2014. Note that this brochure contains no material changes from the last.

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Item 4: Advisory Business.

THE COMPANY.

FSI Capital Holdings, LLC (“FSI” or the “firm” or “we”) is a registered investment adviser with the SEC. The firm was founded in 2006. Over the years, FSI, together with its affiliates and subsidiaries, provided asset management, portfolio analytics, structuring, broker-dealer and capital market services to its clients. Currently, the firm’s sole focus is providing collateral management services to collateralized debt obligation transactions (“CDOs”) (as more fully described below) and does not engage in other business activities.

Stephan R. Kuppenheimer, through his ownership interest in FSI’s parent company, Solidus Capital B, Inc., is the principal owner of FSI.

ADVISORY SERVICES.

FSI, through its wholly-owned subsidiaries (Aventine Hill Capital, LLC and Solidus Capital, LLC), provides collateral management and/or sub-collateral management services to CDOs. FSI assumed (by assignment, agency designation or otherwise) the collateral management responsibilities of each CDO it currently manages from several unaffiliated collateral managers. Accordingly, FSI did not participate in the selection of any assets purchased or sold by the CDOs on the related CDO closing date through the date on which FSI assumed collateral management responsibilities. These CDOs invested primarily in asset-backed securities and/or asset-backed synthetic securities, including, but not limited to, residential mortgage backed securities, commercial mortgage backed securities, CDO securities and consumer asset-backed securities.

The transaction documents governing the CDOs managed by FSI, set forth certain restrictions and conditions governing the purchase and sale of securities. Accordingly, the collateral management services FSI provides to the CDOs are tailored based upon the specific terms and standards set forth in applicable collateral management agreement and other transaction documentation. Further, pursuant to such transaction documents, the CDOs are no longer permitted to purchase securities. However, in certain limited circumstances and subject to the restrictions and conditions outlined in the applicable transaction documentation, FSI may arrange for the sale of certain securities for the account of the applicable CDO.

ASSETS UNDER MANAGEMENT.

As of December 31, 2014, FSI had \$ 531.1 million in assets under management (calculated based on the aggregate principal balance of assets). All of these assets are managed on a discretionary basis.

Item 5: Fees and Compensation.

FSI does not have a standard fee schedule. Rather, as compensation for the collateral management services it provides, FSI receives the management fees (or a fixed percentage thereof) set forth in the applicable collateral management agreements. In general, the management fees consist of a senior management fee component and subordinated management fee component that, in each case, is based on the par amount of collateral, subject to deductions and haircuts which vary by CDO. In the case of certain CDOs, the senior and/or the subordinated management fees may be deferred as a result of the CDOs not generating sufficient cash flows and/or as a result of certain structural provisions set forth in the CDO transaction documents.

Although the collateral management agreements may also provide for performance related fees based on the cash flows to certain CDO tranches above a specified rate of return, market conditions make them highly unlikely to be paid.

FSI may receive only a portion of the management fees set forth in the applicable collateral management agreements pursuant to fee sharing arrangements with the original collateral managers.

Management fees are paid directly by the CDO on each CDO distribution date (monthly or quarterly depending on the applicable CDO) for management services performed during the immediately preceding monthly or quarterly period (as applicable) and for previous periods with respect to which accrued management fees were not paid in full.

The collateral management agreements of CDOs managed by FSI may provide for the payment of certain out-of pocket expenses incurred by FSI in connection with its duties under the applicable collateral management agreement, including, without limitation, costs of third-party pricing and quotation services and third-party portfolio modeling and analysis research services. Such expenses may be paid by the CDO on the CDO distribution date (monthly or quarterly depending on the applicable CDO). In addition, the CDO will incur brokerage and other transaction costs in connection with securities transactions. See Item 12 for more information regarding our brokerage practices.

FSI does not accept compensation for the sale of securities or other investment products. While certain FSI personnel (in connection with their employment by Stifel, Nicolaus & Company, Incorporated – See our response to Item 10 for further details) may be compensated for the sale of securities, we do not believe such compensation, if any, presents a conflict of interest. As mentioned above, the CDOs managed by FSI are no longer permitted to purchase securities. Accordingly, such FSI personnel, if any, are not incentivized to recommend that the CDOs purchase securities that such individual may be separately compensated for.

Item 6: Performance-Based Fees and Side-By-Side Management.

The collateral management agreements for certain CDOs, in addition to the collateral-based management fees of the type described in our response to Item 5, may also provide for performance related fees based on the cash flows to certain CDO tranches above a specified rate of return. Nonetheless, market conditions make them highly unlikely to be paid.

Item 7: Types of Clients.

FSI, through two wholly-owned subsidiaries, provides collateral management and/or sub-collateral management services to CDOs. We currently provide such management services to 9 CDOs. The CDOs managed by FSI are listed on Schedule D of Part 1A of Form ADV.

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

FOCUS

FSI provides collateral management services to CDOs. The CDOs managed by FSI invested primarily in asset-backed securities and/or asset-backed synthetic securities, including, but not limited to, residential mortgage backed securities, commercial mortgage backed securities, CDO securities and consumer asset-backed securities. Investing in securities always involves the risk of loss that CDOs and CDO investors should understand and be prepared to bear.

METHODS OF ANALYSIS & INVESTMENT STRATEGIES

For purposes of providing collateral management services to the CDOs, FSI focuses on the intrinsic value of an asset and potential risk/reward profile of such asset using a blend of both quantitative and qualitative judgments. In addition, various factors are considered when determining the capacity of any investment including economic and interest rate outlook, consumer and corporate credit trends, capital market conditions, regulatory developments as well as liquidity and market depth in the various asset classes. Investment strategies begin with FSI's ongoing surveillance process. This generally involves reviewing each security's performance metrics, generating an expected loss and analyzing changes in the collateral characteristics. In addition, we may run stress analysis to assess the loans risk profile.

Despite the forgoing, applicable transaction documents currently impose certain limitations on FSI's ability to manage securities invested in by the CDOs. For example, pursuant to the terms of the applicable transaction documents, the CDOs are no longer permitted to purchase securities and FSI may arrange for the sale of securities for the account of the CDOs only in certain limited circumstances and subject to the restrictions and conditions outlined therein. Accordingly, there can be no guarantee or representation that FSI's management program will be successful.

RISK OF LOSS

Investing in securities always involves the risk of loss that CDOs and CDO investors should understand and be prepared to bear.

The securities invested in by the CDOs managed by FSI are subject to various types of risk, including, but not limited to, credit, market, interest rate, structural, legal and liquidity risks. Risk factors also include the condition of financial markets, political events, developments or trends in any particular industry, and periods of adverse performance. Please refer to the applicable CDO's offering memorandum for a detailed discussion of the material risks involved in investing in the type of securities primarily invested in by the CDOs.

The material risks of investing in CDOs generally consist of those relating to the underlying securities held by the CDOs (discussed in the previous paragraph) and those relating to the securities issued to investors by the CDOs. The latter risks are typically the lack of liquidity of the securities issued to investors of the CDOs, their subordination to more senior interests in the CDO's capital structure, the limited recourse nature of the interests, and the uncertainty of the CDO making payments on the interests. Please refer to the applicable CDO's offering memorandum for a detailed discussion of the material risks involved in investing in securities issued to investors of the CDOs.

Item 9: Disciplinary History.

We are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the firm or the integrity of the firm's management in this item.

FSI has no legal or disciplinary events to report.

Item 10: Other Financial Industry Activities & Affiliations.

Stephan Kuppenheimer, FSI's principal owner, Chief Executive Officer and Chief Compliance Officer, and other officers of FSI ("FSI Officers"), are, in a separate capacity, employees of Stifel, Nicolaus & Company, Incorporated ("Stifel Nicolaus") / CRD 793 /, a full service brokerage and investment banking firm that is registered as broker dealer and investment adviser.

As employees of Stifel Nicolaus, these individuals form part of a separate business unit within Stifel Nicolaus called "Credit Investments" which is headed by Mr. Kuppenheimer. Credit Investments currently offers capital markets, structuring, and portfolio advisory services to its clients. The respective roles of these individuals within Credit Investments and the amount of time spent on Credit Investments business varies depending on the individual and particular work week.

Currently, Mr. Kuppenheimer is a registered principal of Stifel Nicolaus. No other FSI officer is a registered representative of Stifel Nicolaus or any other broker-dealer.

Neither FSI nor any management person is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

FSI does not believe it has any relationship or arrangements with any related person that is material to the firm's advisory business or the firm's clients. Notwithstanding the foregoing, FSI makes note of the following:

- In March 2010, FSI Securities, LLC, a subsidiary of FSI, filed its Form BDW with FINRA and ceased its operations. Prior to the effectiveness of its withdrawal from registration, FSI Securities, LLC was registered as a broker-dealer with the SEC and was a member of FINRA and SIPC.
- FSI and Stifel Nicolaus are parties to an agreement pursuant to which Stifel Nicolaus is entitled to payments based on the revenues of FSI in exchange for certain facilities and services provided to FSI. In addition, as noted above, Stephan Kuppenheimer, FSI's principal owner, Chief Executive Officer and Chief Compliance Officer, and other officers of FSI are, in a separate capacity, employees of Stifel Nicolaus. Stifel Nicolaus has no rights or power to direct the management or policies of FSI nor does it have any voting or equity interest in FSI. Stifel Nicolaus is not considered a related person of FSI for purposes of this brochure. Nonetheless, see our response to Item 11 which discusses procedures put in place to address potential conflicts of interest that may exist.

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

CODE OF ETHICS AND PERSONAL TRADING.

FSI has adopted a Code of Ethics and Code of Conduct (“Code”) designed to ensure that FSI and its personnel adhere to the highest ethical standards. In recognition of FSI’s fiduciary obligations to its clients, FSI’s Code contains provisions designed to prevent improper personal trading, prevent the use of insider information in connection with the purchase and sale of securities, and identify potential conflicts of interest. All FSI personnel must accept in writing the terms of the Code initially, annually and as amended.

Under the Code, all FSI personnel are required to provide quarterly transaction reports, initial/annual holdings reports, and disclose any outside activities. The Code generally prohibits FSI personnel from receiving gifts greater than \$100 in value. In addition, Access Persons are not permitted to trade securities appearing on FSI’s restricted list and must receive written trade approval from the Chief Compliance Officer prior to executing a personal security transaction in any IPO, private placement, or other security, unless exempted under the Code (e.g., open-end mutual funds).

In order to prevent insider trading, FSI has implemented a restricted list policy and procedure. If a security is placed on the FSI’s restricted list, FSI and its personnel will not be permitted to trade this security. It is possible that FSI personnel will hold the security in their personal securities accounts. When this occurs, FSI and FSI personnel will not be permitted to trade the security until it is removed from the Restricted List.

FSI, and its personnel, may invest in CDOs managed by FSI. The investments, if any, made by FSI personnel in these CDOs are monitored by FSI via its Code.

Clients, or prospective clients, may obtain a current copy of FSI’s Code by contacting the firm’s Chief Compliance Officer at 212-847-6615.

PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

Pursuant to the transaction documents governing the CDOs managed by FSI, the CDOs can no longer purchase securities. However, in certain limited circumstances and subject to the restrictions and conditions outlined in the applicable transaction documentation, FSI may arrange for the sale of certain securities (in most cases defaulted securities or credit risk securities) for the account of the applicable CDO. In light of the foregoing, securities transactions by the CDOs managed by FSI are limited.

As a matter of policy, FSI does not, for its own account, purchase securities from the CDOs it manages. Further, FSI does not, for the account of any CDO it manages, purchase securities from other CDOs it manages.

Certain CDOs managed by FSI may be investors in other CDOs managed by FSI. Such investments, if any, were made prior to FSI assuming collateral management responsibilities of the applicable CDOs. The firm does not believe that such investments cause a conflict of interest between FSI and its clients.

Please refer to our response to Item 10 where we discuss FSI's current relationship with Stifel Nicolaus. In light of such relationship, FSI has incorporated a policy to address any potential conflicts of interest that may exist. The firm notes the following potential conflicts of interest:

- FSI, on behalf of the CDOs it manages, will from time to time seek offers from several broker-dealers for sales of certain securities (typically defaulted securities or credit risk securities, each as defined in the applicable CDO transaction documentation). Stifel Nicolaus may be one of the several broker-dealers contacted by FSI and may submit (for itself, as principal, or on behalf of a client, as agent) an offer in response to FSI's request.
- Stifel Nicolaus may (for its own account or on account of its client) make an unsolicited offer to purchase certain securities held by the CDOs managed by FSI.

FSI has developed policies and procedures in order to address any of the foregoing conflicts that may arise. In order to consummate such transactions with Stifel Nicolaus, the following policies and procedures must first be satisfied by FSI:

- The potential transaction will be conducted on behalf of the applicable CDO on an arm's length basis and FSI will conclude that the potential transaction is in the best interests of such CDO.
- The sales price received or to be received for the security represents a fair market value for such security. In coming to such a determination, FSI will seek bids from at least two other nationally recognized broker-dealers. In addition, FSI may also seek prices from unaffiliated pricing services.
- FSI will provide written disclosure to the applicable CDO and will obtain its written approval prior to completion of such transaction.
- FSI shall be satisfied that any commission to be paid to Stifel Nicolaus is customary under the circumstances.
- The potential transaction is in compliance with the Advisers Act
- The potential transaction is effected in accordance with the indenture, collateral management agreement and other applicable CDO transaction documentation.
- The potential transaction is approved by the Chief Executive Officer after making the determination that the foregoing has been satisfied. The Chief Executive Officer will consult with the portfolio management team in order make such a determination.

Further, if similar transactions are considered on behalf of one CDO that is appropriate for another CDO, at or about the same time, they will be allocated in a manner believed to be fair and equitable.

Item 12. Brokerage Practices.

As mentioned above, the CDOs managed by FSI are no longer permitted to purchase securities. In certain limited circumstances and subject to the restrictions and conditions outlined in the applicable transaction documentation, FSI may arrange for the sale of certain securities (in most cases defaulted securities or credit risk securities) for the account of CDOs it manages.

FSI has the authority generally to determine the broker-dealer involved in such securities transactions for the account of CDOs managed by FSI. The firm's interaction with broker-dealers in connection with such sales of securities is typically one in which a broker-dealer may submit (for itself, as principal, or on behalf of a client, as agent) an offer to purchase such securities, either in response to FSI's solicitation of offers or as an unsolicited offer to purchase. Alternatively, from time to time, a broker-dealer may be selecting to settle a trade between the trading counterparties where the offer to purchase was not submitted by a broker-dealer.

The selection of a broker-dealer for purposes of settling trades and determination of the reasonableness of its compensation is based upon the range and quality of a broker-dealer's services including execution and settlement capability, product expertise, accuracy of execution and settlement, commission rates, reliability, reputation and integrity, fairness in resolving disputes, financial responsibility, and responsiveness.

Obtaining the best trade execution is an important aspect whenever FSI sells securities for the account of a CDO it manages. Accordingly, whenever a broker-dealer's involvement in a trade is in connection with its submission of an offer to purchase, the decision to sell a security for the account a CDO is based on the objective of obtaining best prices and executions which includes price offered, execution capabilities, reliability, reputation and integrity and other factors. In this case, the compensation to the broker-dealer is generally unknown by FSI.

RESEARCH AND OTHER SOFT DOLLAR BENEFITS.

FSI receives market and industry specific research from several broker-dealers. In addition, certain broker-dealers may provide invitations to FSI to attend conferences and meeting with analysts and specialists. However, FSI does not have any commitments or understandings (generally known as soft dollar arrangements) to trade with specific broker-dealers or to generate a specified level of commission/compensation with a particular broker-dealer in order to receive such research and other services. FSI continues to receive such services whether or not it trades with the broker-dealers that provide the services. Such services are used for the benefit of FSI's entire CDO management platform, even though certain CDOs may have not traded with the broker-dealers who provide the services.

Although FSI benefits from receiving such research and other services from broker-dealers without having to pay for such research and other services, FSI does not trade for the account of the CDOs with any particular broker-dealer in order to obtain such services. As stated above, FSI will sell securities for the account of the CDOs to a particular broker-dealer only if it has determined that such broker-dealer provides best trade execution based on the factors described above.

BROKERAGE FOR CLIENT REFERRALS

Certain broker-dealers may introduce opportunities for FSI to assume collateral management responsibilities for additional CDO transactions as a successor collateral manager. Although the foregoing may create an incentive for FSI to trade for the account of the CDOs with certain broker-dealers, FSI will sell securities for the account of the CDOs to a particular broker-dealer only if it has determined that such broker-dealer provides best trade execution based on the factors described above.

DIRECTED BROKERAGE AND AGGREGATED TRADES.

FSI does not permit a client to direct FSI to execute trades with or through a particular broker-dealer (generally known as directed brokerage).

FSI may aggregate sales orders of securities placed for the account of a particular CDO with similar orders being made simultaneously for the account of other CDOs managed by FSI. When any aggregate sales orders occur, FSI's objective is to allocate the executions among the accounts in a fair and equitable manner, taking into consideration, among other relevant factors, the differing objectives of CDOs and restrictions placed on a CDO by transaction documentation. For example, FSI may average returns received by selling CDO accounts whenever particular positions are sold at the same time in an aggregate sale. Notwithstanding the foregoing, such an allocation could have an adverse effect on the CDOs managed by FSI with respect to the price or size of securities positions saleable.

Item 13. Review of Accounts.

Written trustee reports are prepared by the applicable trustee for each CDO managed by FSI. The indenture for each CDO outlines when such report must be prepared, typically a set day of each calendar month. In addition to other items spelled out in the indenture to the CDO, the report typically contains the following information:

- Outstanding principal balance of each class of notes.
- Account balances.
- Detailed information pertaining to portfolio assets.
- CDOs compliance with indenture tests, including those relating to collateral eligibility, asset quality, overcollateralization and other coverage.
- In connection with payment date reports, information showing payments made pursuant to CDO priority of payments.

FSI's collateral administration team is responsible for reviewing each trustee report (the titles of persons who conduct such monitoring and review are Director). The review generally focuses on reconciling the applicable trustee's analysis with FSI's internal records obtained during the course of its day-to-day administration of the CDOs. A member of the collateral administration team will contact the trustee if any discrepancies are uncovered, seek to resolve any such discrepancies, and discuss any unresolved discrepancies with firm management.

Trustee reports are made available by the trustee to CDO investors upon request. Trustee reports are also posted to a dedicated website maintained by the applicable Trustee to which each of the CDO investors is granted access upon request.

Item 14: Client Referrals and Other Compensation

FSI does not receive an economic benefit from any person for providing investment advice or other advisory services to the CDOs managed by FSI (other than the CDOs managed by FSI). However, please see our response to Item 10 that discusses our agreement with Stifel Nicolaus whereby Stifel Nicolaus is entitled to payments based on the revenues of FSI in exchange for certain facilities and services provided to FSI.

FSI does not currently have any arrangements to compensate any person for client referrals. Any such arrangement that may exist in the future shall comply with all applicable laws, rules or regulations.

Item 15: Custody.

FSI does not maintain custody of the CDOs' assets.

Item 16: Investment Discretion.

FSI has accepted discretionary authority with respect to the CDOs it manages subject to the applicable collateral management agreements and other transaction documentation that establish, and set forth the limitations on, such authority.

As mentioned above, the CDOs managed by FSI are no longer permitted to purchase securities. However, subject to the restrictions and conditions set forth in each CDO's collateral management agreement and the indenture, FSI has the authority generally to determine the securities, and the related amount of securities, to be sold for the account of a CDO. Types of limitations regarding sales that typically arise may include limits on the type and/or classification of securities that can be sold after the occurrence of certain trigger events.

Item 17: Voting Client Securities.

FSI, on behalf of a CDO, will occasionally receive consent and/or waiver requests (generally in the form of Corporate Action Requests) with respect to securities held by a CDO, including consents to transaction document amendments, settlement offers, as well as bankruptcy and reorganization proposals. Subject to certain restrictions and conditions set forth in each CDO's collateral management agreement and the indenture, FSI has the authority generally to determine the appropriate course of action to be taken after receipt of such Corporate Action Requests. In certain circumstances and with respect to certain requests, CDO transaction documentation may require the prior consent of certain CDO investors prior to taking action in response a Corporate Action Request.

When taking action in response to Corporate Action Requests, FSI's objective is to act in the best interest of the applicable CDO. The factors we consider may vary from security to security and from CDO to CDO, but may include market information, liquidity, the debtor's financial situation, the industry, and the applicable CDO's guidelines. Upon receipt of a Corporate Action Request, a determination is made as to whether transaction documentation requires the prior consent of certain CDO investors prior to taking action in response the request. A determination will also be made whether there is a conflict between our interests and those of the applicable CDO with respect to the voting of a CDO security. Absent the existence of a conflict of interest, the portfolio management and collateral administration team will then engage in discussions in order to determine the appropriate course of action based on the objective of acting in the best interest of the applicable CDO. In the event, that it is deemed that such a conflict of interest exists, the portfolio management and collateral administration team will notify the CCO who will create a conflict of interest mitigation plan that will allow for the determination of the appropriate course of action based on the objective of acting in the best interest of the applicable CDO. FSI maintains records with respect actions taken in response to Corporate Action Requests.

A copy of our voting requests policies and procedures and/or information regarding the votes cast by FSI with respect so securities held by a CDO is available upon request mailed to:

FSI Capital Holdings, LLC
237 Park Avenue; 8th Floor
New York, NY 10017
Attn: Voting Requests

Item 18: Financial Information.

In certain circumstances, registered investment advisers are required to provide you with financial information or disclosures about their financial condition in this Item. FSI has never been the subject of a bankruptcy proceeding.