

## **D.H. Hill Advisors, Inc.**

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This brochure was last updated May 31, 2011.

**This brochure provides information about the qualifications and business practices of D.H. Hill Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at (832) 644-1852 and/or [dhill@dhhill.com](mailto:dhill@dhhill.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about D.H. Hill Advisors, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Click on the "Investment Adviser Search" link and then search for "Investment Adviser Firm" using the firm's IARD number which is 116324.**

## Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission (SEC) published "Amendments to Form ADV," which amends the disclosure document that we provide to clients as required by SEC Rules. This brochure dated June 30, 2011, is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this item will discuss only specific material changes that are made to the brochure and provide clients with a summary of such changes. Advisor will also reference the date of the last annual update of the firm's brochure.

Advisor will further provide each client with a new brochure as necessary based on changes or new information, at any time, without charge.

Currently, a brochure may be requested by contacting Dan H. Hill, Chief Compliance Officer, at (832) 644-1852 or [dhill@dhhill.com](mailto:dhill@dhhill.com).

Additional information about D.H. Hill Advisors, Inc. is also available via the SEC's website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with D.H. Hill Advisors, Inc., who are registered, or are required to be registered, as investment adviser representatives of D.H. Hill Advisors, Inc.

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## Item 4 – Advisory Business

### About D.H. Hill Advisors, Inc.

D.H. Hill Advisors, Inc. (Advisor) is a corporation formed in 1998 in the state of Texas. The principal owner of the firm is Dan H. Hill. The major decisions of a strategic and administrative nature for the firm are undertaken by Mr. Hill.

This narrative brochure provides clients with information regarding Advisor and the qualifications, business practices, and nature of advisory services that should be considered before becoming an advisory client of Advisor.

Prior to engaging Advisor to provide services, clients are generally required to enter into an agreement with Advisor setting the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Advisor beginning services. Advisor may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Advisor. If a client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. It remains the client's responsibility to promptly notify Advisor if there is ever any change in the client's financial situation or investment objectives for the purpose of reviewing/evaluation/revising Advisor's previous recommendations and/or services.

### Services Offered by D.H. Hill Advisors, Inc.

#### Advisory Services

Initial Consultation. Advisory services involve an initial client meeting with one or more investment advisor representatives (IARs) of Advisor to gather pertinent facts related to the client's financial situation and the financial concerns of the client. The client would be required to furnish all relevant documents and agreements. The purpose of the meeting is to determine if the Advisor believes the services offered would benefit the client and for the client to decide whether it would be beneficial to go forward. During this initial meeting, the Advisor and client would agree upon the scope and level of services needed and the costs related to such services. The initial client meeting generally lasts for approximately one hour and there is usually no cost to the client for

such meeting. Generally the initial client meeting involves a cursory review of the client's portfolio, risk tolerances, financial objectives and the expectations of the client. This consultation helps to determine if the client requires a more in depth review or analysis, which would involve the Advisor's financial planning services.

If the client and Advisor agree to proceed, a Financial Review Agreement will be entered into which identifies the scope and level of services needed and provides the fee structure and method of payment for the work required. Fees are based on the complexities of the client's assets, net worth and other financial objectives and are covered in the sections below.

### **Investment Supervisory Services**

Advisor manages investment portfolios for clients and offers investment management services through its investment advisor representatives. When providing portfolio management services, Advisor seeks to identify the client's investment goals and timeframe and risk tolerance to aid in the determination of a portfolio approach appropriate to meet the client's investment objectives. Advisor typically does not customize its portfolio management services based on the specific needs of any individual client, but will manage client accounts within a selected strategy's design parameters and long-term objectives. Periodic rebalancing of the portfolios as well as tactical adjustments due to short or intermediate term market expectations will be based solely upon changes in Advisor's economic outlook and market opinion.

Typically, as indicated in Item 12, accounts will be held at TD Ameritrade Institutional, Folio Institutional, Rydex Security Global Investors, or Nationwide (variable annuity sub-accounts only). Active or passive management services are available on either a discretionary or non-discretionary basis. For discretionary account management, the Advisor has a limited power of attorney regarding the securities to be bought or sold and the amount of the securities to be bought or sold. Advisor's investment advisor representatives may choose to self-manage certain accounts in accordance with their own management style, provided they have obtained the approval of both Advisor and the client.

### **Investment Management Services**

After meeting with a client and ascertaining the size of the client's account, the client's goals, objectives, time horizon, and risk tolerance, Advisor may determine that it may be more suitable or appropriate to place a client's assets with a third-party money manager. In such case, Advisor will recommend other portfolio managers and investments advisors with a particular expertise to manage all or a portion of the client's assets. If Advisor or its representatives recommend the use of a third-party money

manager, Advisor may be responsible for providing such third party's Form ADV Part 2 or other disclosure brochure as well as a disclosure regarding Advisor's relationship with such third party, including the amount of the advisory fee paid or to be paid to Advisor for soliciting the client to the third party. Advisor may also be responsible for gathering the client's information, providing updated client information to the third party, and monitoring the performance of the third-party manager. Investment management services offered by the Advisor are primarily focused on providing ongoing advice related to asset allocation and maintaining investment objectives as stated by the client. This service generally provides for client meetings on a quarterly basis to review the client's portfolio, answer questions, and to determine if the portfolio is meeting the objectives of the client. The asset allocation and the performance of the portfolio managers selected to manage the portfolio would be reviewed on an ongoing basis and would be discussed with the client during these quarterly meetings. Generally a financial report showing the total assets of the client and values would be provided at this meeting.

Advisor maintains a list of approved third-party money managers, which includes Purcell Advisory Services, Howard Capital Management, Inc., Hanlon Investment Management, Inc., and Genworth Financial Wealth Management; and, from time to time, Advisor may have relationships with one or more of such money managers or other approved managers, which will offer different active management programs.

Typically, annual fees charged by such third-party managers will range between 1.0% and 3.0%. If appropriate for a client's objectives and risk tolerances, one or more programs and/or investment strategies offered by selected third-party money managers may be recommended for all or a portion of a client's portfolio. If any third-party program or investment strategy is recommended and ultimately used by a client, Advisor receives a portion of the management fees collected by such third-party manager. Any third-party manager recommended by Advisor will be registered or notice filed in the state(s) in which portfolio management services are provided.

### **Financial Planning Services**

Advisor offers both modular and comprehensive planning. The services provided include an assessment of the client's financial goals and resources, financial analysis of the client's current financial situation, and oral and written recommendations. The modular financial planning services include financial management, portfolio review, investment planning, tax planning & review, estate planning, education planning, charitable planning, retirement planning, and risk management planning. Clients may select one or more modules. Following is a brief description of each module:

### Financial Management -

- \* Analysis of current resources and cash flow
- \* Debt level review along with identification of short term and long-term debt
- \* Developing a budget along with identifying fixed and variable expenses
- \* Projection of future cash flows
- \* Prioritizing debt to be retired

### Portfolio Review -

- \* Identification of assets by correlation in order to identify risk.
- \* Correlation review to identify imbalances
- \* Concentration reviews to identify concentration risk within individual and asset types
- \* Performance review as compared to an appropriate benchmark
- \* Portfolio cash flow reviews if applicable

### Investment Planning -

- \* Guidance as to types of investment products most appropriate for client
- \* Guidance as to methods used to construct a portfolio that is properly diversified
- \* Understanding and managing portfolio imbalances related to correlation and concentration
- \* Understanding our proprietary "separation rule" that identifies common influences on investments
- \* Identifying liquidity needs
- \* Identifying and understanding the effects of inflation on certain types of assets

### Tax Planning & Review -

- \* Review prior year tax returns to identify tax bracket and sources of income
- \* Review taxable investments for possible tax strategies
- \* Review qualified account structure to ensure appropriate account setup
- \* Review qualified account custodial agreements to ensure proper beneficiary population
- \* Review projected taxable income for current year and possible tax reduction strategies

### Estate Planning -

- \* Illustration of estate distribution based on client's beneficiary designations and trust documents
- \* Education on cost-effective strategies available to achieve wealth preservation



- Trusts
- Lifetime gifting programs
- Beneficiary designation
- Charitable gifting strategies
- Account titling
- Life insurance inside an irrevocable life insurance trust
- Business transfer techniques

Charitable Planning (designed for clients wishing to make sizable charitable gifts)

- \* Provides analysis of cash flow, tax benefits, and costs of different types of charitable trusts and annuities
- \* The use of highly appreciated asset donations as a strategy along with private family foundations

Retirement Planning -

- \* Identification of life expectancy for individual or married couple
- \* Resources available
- \* Non-Investment income
- \* Portfolio income
- \* Annual living expenses
- \* Emergency funds
- \* Inflation assumptions for determining cost of living adjustments
- \* Income tax assumptions
- \* Projection of ongoing distributions needed to meet client goals with cost of living adjustments

Risk Management Planning -

- \* Review of current health insurance and deductibles in effect
- \* Review of long term care protection and potential needs of the client
- \* Life insurance review to determine if sufficient to retire all debts and provide long-term income to survivors
- \* Home, auto, and liability insurance review to make sure sufficient coverage in place to protect assets
- \* Education related to asset protection trusts and various estate and lawsuit protection vehicles
- \* Errors and omissions insurance protection for certain professionals

The number of hours needed for a module depends upon the complexity of the client's situation and the number of projections needed by the client. Each module may be modified or customized to the specific needs of the client.

Generally, the financial recommendations for investment supervisory services are completed within two weeks and another client meeting is scheduled to review the analysis and recommendations. The analysis involves the evaluation of the existing portfolio with an emphasis on portfolio risk management. Generally assets are grouped by asset type in order to identify correlation and concentration risk. This is a proprietary method of managing risk that focuses on a macro asset allocation method to achieve diversification. Most portfolios are allocated among various asset classes that do not adhere to stringent diversification rules.

Advisor reviews the risk tolerances of the client, the financial concerns and objectives along with time horizon identified in order to generate the appropriate strategies and recommendations. Recommendations are generic in form and never identify specific products. The purpose of the recommendations is to educate the client and to propose changes to the portfolio that will enable the client to achieve the stated objectives.

Comprehensive financial planning services offered include all of the above listed modules, but could be customized for the client's overall objectives. Comprehensive planning is most often appropriate for individuals who have experienced a major change in their life such as a divorce, loss of spouse or change in employment status.

Implementation services are available to all clients, although the client is not obligated to use this service. The client may use any advisor or broker to implement the general strategies and recommendations. Generally, portfolio allocations by asset type along with percentages for each are provided within the recommendations, which allows the client to view the macro or "big picture" results. The client can then decide whom they prefer to use in the implementation of the plan.

### **Services Not Involving Securities**

On an occasional basis, Advisor furnishes advice to clients on matters not involving securities. This is an area not covered in any of the above sections and is more customized by client request. For example a client might request a second home purchase evaluation and financing options or an auto lease versus purchase option. The fee structure offered by the Advisor is (1) fixed, (2) hourly or (3) a combination of both and is based in part on the time required, the complexities involved and the overall net worth of the client.

### **Trade Error Policy**

Should they occur, losses resulting from Advisor's trade errors shall be reimbursed by either the Advisor or the custodian, depending on the dollar amount.

## **Client Obligations**

In performing its services, Advisor is not required to verify any information received from the client or from the client's other professionals. Moreover, each client is advised that it remains his or her responsibility to promptly notify Advisor if there is ever any change in the client's financial situation or investment objectives during the client engagement.

## **Disclosure Statement**

A copy of Advisor's written brochure as set forth on Part 2 of Form ADV shall be provided to each client prior to, or at the same time as, the execution of the any client agreement. Any client who has not received a copy of Advisor's written brochure at least 48 hours prior to executing a client agreement shall have five business days subsequent to executing the agreement to terminate the Advisor's services without penalty.

## **Non-Participation in Wrap Fee Programs**

Advisor, as a matter of policy and practice, does not sponsor any wrap fee program. A wrap fee program is defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment supervisory services (which may include portfolio management or advice concerning the selection of other investment advisors) and the execution of client transactions.

## **Amount of Assets under Management**

As of May 31, 2011, DH HILL provided advice on approximate \$14,000,000 on a discretionary basis and \$10,000,000 on a non-discretionary basis.

## **Our Policy on Class Action Lawsuits**

From time to time, securities held in the accounts of clients may be the subject of class action lawsuits. Advisor has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. It also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, Advisor has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where Advisor receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim

May 31, 2011

FORM ADV PART 2A ("FIRM BROCHURE")  
FOR D.H. HILL ADVISORS, INC.

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forms, and other materials, to the client. Electronic mail is acceptable where appropriate if the client has authorized contact in this manner.

## Item 5 – Fees and Compensation

Fees in general are negotiable, depending on the facts and circumstances relating to each client (such as account size, length of time with Advisor, complexity of the account), and may be paid in advance or in arrears as indicated below. Lower fees for comparable services may be available from other sources. Fees will not be based upon or in any way be related to the performance of the account. Clients will typically authorize the independent third-party custodian to debit all fees directly from the client's accounts and credit same to Advisor's account or otherwise remit same to Advisor.

### Investment Advisory Services

Advisor charges an annual fee based on the value of the assets under management. If Advisor is managing more than one account for a client, all assets under Advisor's management will be combined for purposes of calculating the lowest fees to be charged subject to custodian rules. Fees may be charged quarterly or monthly in advance or in arrears as indicated in the investment management agreement and fees may vary based on account size, investment objectives, and complexity of the account. For example, passive management services may have a lower fee structure than active management services. As indicated below, Advisor uses independent third party custodians for all managed accounts. Typically, annual fees may range between 1.25% and 2.50% and may be charged on a tiered basis although all accounts are subject to a minimum annual fee of \$1,200 which Advisor may waive or modify in its sole discretion. Subject to the stated minimum fee, the typical fee schedules are as follows:

For Accounts at TD Ameritrade Institutional and Folio Institutional:

<b>Annual Fee</b>	<b>Assets Under Management</b>
2.50%	First \$500,000
2.00%	\$ 500,001 - \$1,000,000
1.55%	\$1,000,001 - \$2,000,000
1.25%	Over \$2,000,000

For Accounts at Rydex Security Global Investors and Nationwide:

<b>Annual Fee</b>	<b>Assets Under Management</b>
2.20%	First \$500,000
1.80%	\$ 500,001 - \$1,000,000
1.50%	\$1,000,001 - \$2,000,000
1.25%	Over \$2,000,000

The applicable annual fee percentage will be charged on that portion of the assets under management which falls within each tier.

## **Fees for Third-Party Investment Management Services**

The advisory services provided by third-party investment managers and the fees they charge for those services are detailed in their respective disclosure brochures. The Investment Advisor Representative will provide the client with a copy of the brochure for each investment manager recommended.

Clients are generally required to sign an agreement directly with sub-advisers. The client, Advisor, or the sub-adviser, in accordance with the provisions of those agreements, may terminate the advisory relationship. If the sub-adviser is compensated in advance, the client will typically receive a pro rata refund of any prepaid advisory fees upon termination of an advisory agreement.

## **Financial Planning Services**

The fee structure offered by the Advisor is (1) fixed, (2) hourly or (3) a combination of both and is based in part on the time required, the complexities involved and the overall net worth of the client. Some clients may prefer the certainty of a fixed fee while others may prefer the flexibility of an hourly fee. Therefore, this fee structure is offered to all clients and the fee structure selected in any particular case is optional with the client and is determined after the client and the investment advisor representative have agreed upon the scope and level of services to be provided and after the client has been provided with an estimate of the time required to complete the plan.

There is no table that relates net worth to fees; however generally the higher net worth client has a more complex situation due to the size and diversity of their wealth. Fees are negotiable but the fixed fee typically ranges from \$300 to \$5,000 and the hourly fee typically ranges from \$100 to \$400 per hour. The hourly rate varies widely based primarily on the experience and the level of services offered by each investment advisor representative of the firm, and to a lesser extent, the credentials of such advisor. For example, an advisor with many years of experience who provides an additional level of services such as a more detailed analysis and possibly even daily updated information via a web-based terminal, would generally be expected to charge an hourly fee at the higher end of the range and a much less experienced advisor who provides only basic financial planning services would generally be expected to charge an hourly fee at the lower end of the range.

Although fees are negotiable with each individual investment advisor representative, the following table serves as a guide for hourly rates:

<b>Years of Experience</b>	<b>Hourly Rate</b>
More than 3 but less than 5	\$100.00
5 or more but less than 10	\$200.00
10 or more but less than 20	\$300.00
20 or more	\$400.00

Actual hourly rates may be more or less than those indicated due to the scope and level of services provided but the above table serves as a general guideline for hourly rates. The actual rate to be charged will be fully disclosed to and agreed upon by the client before any services are performed. The total fee for the development of the financial plan is determined by multiplying the hourly rate of the investment advisor representative developing the financial plan times the number of hours spent by the investment advisor representative. With respect to fixed fees, the more comprehensive the plan is, the higher the fee.

Some clients may only need or desire a basic overview and evaluation of their financial situation or an analysis of only one particular module, while others may need or desire a much more detailed or comprehensive review or plan regarding the analysis of virtually all modules. The more rudimentary analysis would therefore be expected to have a fixed fee at the lower end of the range while the more comprehensive analysis would be expected to have a fixed fee at the higher end of the range or in some cases, which even exceeds it. The more comprehensive plans would typically be provided by investment advisor representatives with more experience and which provide a higher level of services, whether or not they possess higher credentials or certifications.

Whether a client is charged a fixed fee or an hourly fee is entirely optional with the client. Some clients are more comfortable with a pre-determined fixed fee rather than with a potentially open-ended fee based on an hourly rate since the total number of hours is estimated only and cannot be finally determined until completion of the services. Typically a basic financial plan would include a review and evaluation of the client's financial situation and identification of the client's goals, objectives, problems, concerns, and potential solutions relating to one or more of the above referenced modules, while comprehensive planning would include reviews, etc., of virtually all modules listed above with exceptions to be customized with each client. Most financial plans would typically involve one or more modules but very few would involve all modules. In any event, the client would receive the same financial plan whether the plan is charged on an hourly basis or on a fixed fee basis.

All services and the fees relating to those services will be fully disclosed to and agreed upon by the client before any services are performed.

In addition to the preparation and presentation of the plan, Advisor may provide continuous financial services including but not limited to monitoring the implementation of the plan, reviewing and/or updating the plan, giving ongoing advice and recommendations, and consulting and/or meeting with the client, etc. In consideration of these ongoing services rendered by Advisor, the client shall pay Advisor an ongoing fee, the amount of which will be determined on an individual basis. The ongoing fee is generally negotiable and may depend upon such things as the complexity of the plan, the time required to provide such services, and the experience and level of services provided by the investment advisor representative. The fee is generally paid quarterly and may be paid in advance or in arrears as agreed upon but in no event will Advisor require prepayment of more than \$500.00 in fees and 6 or more months in advance. The fee will be prorated for any partial quarter.

**Services Not Involving Securities:**

The fee structure for this service is shown above in the Financial Planning Services section.

As further discussed in Item 7, Advisor generally imposes a minimum portfolio value for its investment management services. Advisor, in its sole discretion, may negotiate to waive its stated account minimum or charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, preexisting client, account retention, *pro bono* activities, etc.).

**General Information Regarding Advisory Services and Fees**

Advisor does not represent, warrant, or imply that the services or methods of analysis used by Advisor can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections.

Advice offered by Advisor may involve investments in mutual funds. Clients are hereby advised that all fees paid to Advisor for investment supervisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders, as described in each fund's prospectus. These fees will generally include a management fee and other fund expenses. Further, transaction charges may be applicable when purchasing and selling securities. Advisor may share in a portion of the brokerage fees and/or transaction charges imposed by the broker dealer/custodian holding the client funds or securities. Clients should review all fees charged by mutual



funds, Advisor, and others to fully understand the total amount of fees to be paid by the client.

Clients may also incur "account termination fees" upon the transfer of an account from one brokerage firm (broker dealer/custodian) to another. The range for these account termination fees is believed to range generally from \$0 to \$200 at present, but at times may be much higher. Clients should contact their custodians (brokerage firms, bank or trust company, etc.) to determine the amount of account termination fees, which may be charged and deducted from their accounts for any existing accounts which may be transferred.

Such charges, fees, and commissions are exclusive of and in addition to the firm's fee, and the firm does not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that the firm considers in selecting or recommending broker dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

## **Termination**

The client may terminate any new agreement without penalty by providing written notice of such cancellation to Advisor within five (5) business days of the date of signing the agreement. Thereafter, either party may terminate the agreement without penalty upon 30 days notice in writing to the other party. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, with the refund calculations based pro rata to the date of termination. Upon the termination of the agreement, Advisor will not possess any obligation to recommend or take any action with regard to the securities, cash, or other investments in a client's account.

The agreement for portfolio management will continue in effect until terminated by either party by written notice in accordance with the terms of the investment management agreement.

Advisor believes that the charges and fees offered within its program are competitive with alternative programs available through other firms offering a similar range of services; however, lower fees for comparable services may be available from other sources. A client could invest in mutual funds directly, without the services of Advisor. In that case, the client would not receive the services provided by Advisor which are designed, among other things, to assist the client in determining which investments are most appropriate to each client's financial condition and objectives, undertake a

disciplined approach to portfolio rebalancing while taking into account the tax ramifications of same, and to avoid ad hoc emotional reactions to shorter-term market events. Also, some of the funds used by the firm may not be available to the client directly without the use of an investment adviser granting access to such funds.

Advisor's relationship with each client is non-exclusive; in other words, Advisor provides investment supervisory services and financial planning services to multiple clients. Advisor seeks to avoid situations in which one client's interest may conflict with the interest of another of its clients.

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

Item 6 is not applicable to Advisor. Advisor does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## Item 7 – Types of Clients

Advisor offers personalized investment supervisory services to individuals, pensions and profit-sharing plans, trusts, estates, corporations, and business entities. Client relationships vary in scope and length of service.

### Required Minimum Client Accounts

Advisor may require a minimum account size of \$100,000 for investment management services. Advisor, in its sole discretion, may charge a lesser management fee, or choose to reduce or waive the quarterly minimum fee, based upon certain criteria (i.e., preexisting financial planning client, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, and *pro bono* activities.). Advisor may aggregate the portfolios of family members to meet the minimum portfolio size.

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

Before designing investment plans for clients, the Advisor will evaluate the client's current investments to determine whether the client's goals harmonize with the client's financial objectives. In designing investment plans for clients, Advisor relies upon the information supplied by the client and client's other professional advisors. Such information may pertain to the client's financial situation, estate planning, tax planning, risk management, short-term and long-term lifetime financial goals and objectives, investment time horizon, and perceived current tolerance for risk. If requested by the client, Advisor will design and propose a portfolio to help clients attain their financial goals.

This information will become the basis for the strategic asset allocation plan, which Advisor believes, will best meet the client's stated long-term personal financial goals. The strategic asset allocation provides for investments in those asset classes, which Advisor believes, will possess attractive combinations of return, risk, and correlation over the long term.

When Advisor invests client assets, asset allocation techniques are used which include stocks and bonds of varying characteristics and from both the United States and foreign markets. Advisor invests for the long term and expects that not all investments in a given portfolio will perform in unison with other assets in the same portfolio. Advisor does not systematically re-balance the portfolio on a regular basis, but monitors each portfolio's asset allocation to make adjustments where appropriate. Advisor's portfolio management decisions are made considering only the assets being managed and not with regards to other investments the client may hold.

Advisor may also provide advice on any type of investment held in a client's portfolio at the inception of the advisory relationship. Advisor will explore other investment options at the client's request. Additionally, Advisor reserves the right to advise clients on any other type of investment that it deems appropriate based on the client's stated goals and objectives.

Advisor may utilize fundamental analysis and technical analysis. Fundamental analysis is performed on historical and present data, with the goal of making financial forecasts. The fundamental approach stresses economic conditions, such as the level of employment and economic growth, and financial conditions, such as the level of direction of changes in interest rates. Fundamental analysis is based on the premise

that real factors, such as the firm's productivity and profitability, will ultimately govern the stock's price.

Technical analysis determines how the market (or a specific stock) has performed in the past. Studying historical data concerning prices or the volume of transactions is substituted for analysis of financial statements and forecast of future dividends and the growth in earnings.

The main sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, other corporate and Securities and Exchange Commission filings, and company press releases.

Other sources that the firm may use include Morningstar, mutual fund web resources, and information available on the Internet.

### **Investment Strategies**

The primary investment strategy used on client accounts seeks to maximize return at a given level of risk. Advisor develops a diversified investment portfolio by mixing different assets in varying proportions depending on client and current economic climate. The primary purpose of Asset Allocation is to reduce the risk in the portfolio, while maintaining or enhancing the rate of return of the portfolio. Portfolios may be globally diversified to control the risk associated with traditional markets.

The investment strategies of Advisor may include long-term and short-term investments. You may place reasonable restrictions on the strategies to be employed by Advisor in the client's account (such as, for example, the types of investments to be held in the account).

As previously noted, Advisor may recommend the use of third-party investment managers to implement investment advice. Advisor analyzes individual investment managers based upon their investment strategies, experience, performance track record, reputations, and fee arrangements.

Each client receives investment advice regarding their portfolio based upon his or her:

- Time Horizon
- Risk Tolerance
- Expected Rate of Return
- Asset Class Preferences

The investment vehicles used to invest in the various asset classes include, but are not limited to, the following:

- Mutual funds which provide:
  - Professional Management
  - Diversification
  - Flexibility
  - Liquidity
- Individual investment vehicles including the following:
  - Stocks
  - Bonds
  - Exchange Traded Funds
  - Closed End Funds
  - Certificates of Deposit (CDs)
  - Money Market Funds

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time.

Every method of analysis has its own inherent risks. To perform an accurate market analysis, Advisor must have access to current/new market information. Advisor has no control over the distribution rate of market information. An accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

## **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. Advisor's investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

Interest-rate Risk: The risk that investment returns will be affected by changes in the level of interest rates. When interest rates increase, the prices and values of bonds decrease. When interest rates decrease, the prices and values of bonds increase.

Market Risk: The risk that investment returns will be affected by changes in the overall level of the stock market. When the stock market as a whole increases or decreases, virtually all stocks are affected to some degree.

Reinvestment Rate Risk: The risk incurred when an investment's income is reinvested at a lower rate than the rate that existed at the time the original investment was made. This risk is most prevalent when interest rates fall.

Purchasing Power Risk (Inflation Risk): The risk that inflation will affect the return of an investment in real dollars. In other words, the amount of goods that one dollar will purchase decreases with time. Investments that have low returns, such as savings accounts, are not likely to keep up with inflation. Investments with fixed returns, such as bonds, will decrease in value because their purchasing value will decrease with inflation.

Business Risk: The risk associated with a particular industry or firm. These are factors that affect the industry or firm, but do not affect the whole market. They include government regulations, management competency, or local or regional economic factors.

Financial Risk: The risk associated with the mix of debt and equity used to finance a firm. The greater the financial leverage, the greater the financial risk.

Currency Risk (Exchange Rate Risk): The risk that a change in the value of a foreign currency relative to the U.S. dollar will negatively affect a U.S. investor's return.

Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

In general, cash equivalents provide liquidity with minimum income and a return of principal with no capital appreciation. Cash equivalents are, however, subject to purchasing power risk.

Fixed income investments provide current income. Usually, the longer the maturity of the security, the higher the income it will generate. Also, with longer maturities, fixed income investments will have greater price volatility and greater opportunity for capital gains or capital losses. Fixed income investments are subject to interest rate risk, reinvestment rate risk, and purchasing power risk. In addition, foreign bonds would be subject to currency rate risk and junk bonds would be subject to business risk and financial risk.

The return of principal for bond funds and funds with significant underlying bond holdings is not guaranteed. Mutual fund shares are subject to the same interest



rate, inflation, and credit risks associated with the underlying bond holdings. Lower rated bonds are subject to greater fluctuations in value and risk of loss of income and principal than higher rated bonds.

Equity investments are subject to greater volatility, thus providing a greater opportunity for capital gains, and a greater opportunity for capital losses. Equity investments offer little or no current income. Equity investments are subject to market risk and interest rate risk, while providing an opportunity to protect against purchasing power risk. Also, stock mutual funds, rather than individual equities, may limit the exposure to business risk and financial risk.

Investing outside the United States involves additional risks, such as currency fluctuations, periods of illiquidity, and price volatility. These risks may be heightened in connection with investments in developing countries. Small-company stocks entail additional risks, and they can fluctuate in price more than larger company stocks.

Investments are not FDIC-insured, nor are they guaranteed by a bank or any other entity, so they may lose value.

Different types of investments involve varying degrees of risk, and the client should not assume that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended by Advisor) will be profitable or equal to any specific performance level(s).

## **Item 9 – Disciplinary Information**

Advisor has no reportable legal or disciplinary events.

## Item 10 – Other Financial Industry Activities and Affiliations

The principal executive officer of the Advisor, Dan H. Hill, is also the principal executive officer and general securities principal of D.H. Hill Securities, LLLP, a broker dealer and member of FINRA. He is also a registered representative of the broker dealer and a licensed insurance agent. These other activities may require up to 50% of his time.

Although Advisor has no arrangements with D.H. Hill Securities, LLLP that are material to its advisory business or its clients, commission-based products may be offered to advisory clients through D.H. Hill Securities, LLLP, which creates a conflict of interest.

The Advisor is related to D.H. Hill Insurance Services, LLC, an insurance agency due to common ownership of Dan H. Hill, principal executive officer of Advisor. Although Advisor has no arrangements with D.H. Hill Insurance Services, LLC that are material to its advisory business or its clients, commission-based insurance products may be offered to advisory clients through D.H. Hill Insurance Services, LLC, which creates a conflict of interest.

The principal executive officer of Advisor is also a registered representative with D.H. Hill Securities, LLLP, a broker dealer and member of FINRA. Other investment advisor representatives affiliated with Advisor may also be registered representatives with D.H. Hill Securities, LLLP and may also be insurance agents or brokers with various insurance companies. Advisor and its representatives typically do not recommend specific commission-based products, but certain asset classes may be recommended that meet the financial objectives and risk tolerance of the client. The client is under no obligation to implement any such recommendations and may select any other advisor or broker dealer to implement them. However, if any of such recommendations are implemented through D.H. Hill Securities, LLLP for the purchase of a specific security, insurance, or other investment product, a conflict of interest exists because commissions will be paid to the investment advisor representative in his capacity as a registered representative of D.H. Hill Securities, LLLP. Clients are advised of the existence of any conflict of interest and a disclosure of the conflict of interest is included on the new account form of D.H. Hill Securities, LLLP.

Neither Advisor, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

As discussed in Item 5 above, Advisor may recommend or select other investment advisors for its clients.

## Item 11 – Code of Ethics

Advisor has adopted a Code of Ethics to ensure that securities transactions by Advisor and/or related persons are consistent with Advisor's fiduciary duty to its clients and to ensure compliance with legal requirements and Advisor's standards of business conduct. Advisor exercises its fiduciary responsibility and its authority for the benefit of its clients and conducts its business so as to avoid: placing its interests ahead of clients, taking inappropriate advantage of its position, or any actual or potential conflicts of interest. Advisor does not accept gifts or favors, which might influence its decisions, and does not receive fees or other compensation from any person for client referrals.

The Code establishes rules of conduct for all employees of Advisor and is designed to, among other things, govern personal securities trading activities in the accounts of employees and related persons. The purpose of the Code is to preclude activities, which may lead to or give the appearance of conflicts of interest, insider trading, and other forms of prohibited or unethical business conduct. The Code, among other things, requires: a high ethical standard of business conduct reflecting an advisor's fiduciary obligations; compliance with federal and state securities laws; reporting of violations; delivery and acknowledgement of the Code by each supervised person; reviews and sanctions; recordkeeping; and ADV Part 2 disclosure to be provided to all clients and prospects. Advisor will provide a copy of its Code of Ethics to any client or prospective client upon request.

Neither Advisor nor any related person of Advisor recommends, buys, or sells for client accounts, securities in which Advisor or any related person of Advisor has a material financial interest.

Advisor and/or related persons may on occasion, invest for their own account(s) in securities that are also recommended to clients. Inasmuch as these situations may represent a conflict of interest, client interests are placed above Advisor's interests and Advisor has established a number of restrictions in order to ensure its fiduciary responsibilities. In general, Advisor and related persons may purchase or sell the same securities for their own account(s) on the same day only after all orders for client accounts have been executed. To prevent conflicts of interest, Advisor monitors compliance with the firm's written policies and procedures, which impose restrictions on the purchase or sale of securities for their own account(s) and the account(s) of related persons. The written policies and procedures require that all trades made by employees or related persons of Advisor be monitored by certain designated personnel and that reports be maintained on personal securities transactions. The policies and procedures

also impose certain restrictions concerning the misuse of material non-public information that are designed to prevent insider trading.

All material conflicts of interest are disclosed regarding Advisor, its representatives and its employees, which could reasonably be expected to impair the rendering of unbiased and objective advice.

## Item 12 – Brokerage Practices

Advisor may recommend certain broker dealers or custodians to clients for brokerage and custody services. Although there is no connection between Advisor's participation in any of the programs and the investment advice Advisor gives to its clients, Advisor receives economic benefits through its participation in the programs which are generally not available to retail investors. These benefits include the following products and services which are provided without cost: receipt of duplicate client statements and confirmations, research-related products and tools, access to a trading desk which services advisors, ability to use block trading which provides the capability to aggregate securities transactions for execution and then allocate the shares to client accounts, the ability to have advisory fees deducted directly from client accounts, access to an online trading platform for order entry and access to online account information, access to mutual funds which have no transaction fees and to certain institutional money managers, and discounts on various products and services provided by third-party vendors. Some of the products or services made available by recommended brokers or custodians may benefit Advisor by assisting Advisor in managing and administering client accounts but may not directly benefit client accounts. Other services made available by the recommended brokers or custodians are intended to aid Advisor in managing and further developing its business. The benefits received by Advisor do not depend on the amount of brokerage transactions directed to any of the recommended brokers or custodians.

Although Advisor attempts at all times to put the interests of its clients first, the receipt of economic benefits by Advisor creates a potential conflict of interest and may indirectly influence Advisor's recommendation of TD Ameritrade Institutional, Folio Institutional, Rydex Strategic Global Investors, and Nationwide for custody and brokerage services.

Factors that Advisor considers in recommending any broker dealer/custodian to clients include historical relationship with Advisor, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Advisor's clients shall comply with Advisor's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker dealer might charge to effect the same transaction. If this occurs, it is because Advisor determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker dealer services, including the value of research provided, execution capability,

commission rates, and responsiveness. Accordingly, although Advisor will seek competitive rates, it may not necessarily obtain the lowest possible commission or transaction rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker dealer/custodian are exclusive of, and in addition to, Advisor's investment management fee. Advisor best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

Although Advisor does not have the authority to select the broker dealer or custodian to be used without obtaining specific client consent, Advisor may recommend the use of TD Ameritrade Institutional, Folio Institutional, Rydex Strategic Global Investors, Nationwide (variable annuity sub-accounts only) or some other unaffiliated broker dealer or custodian. All four of the above-named custodians offer services to independent investment advisors, which include custody of securities, trade execution, clearance, and settlement of transactions.

Notwithstanding, D.H. Hill Securities, LLLP may be recommended to clients for purchase of investment and/or insurance products which are not included in the client's managed account. As disclosed in Item 10 above, D.H. Hill Securities, LLLP is a related person and Advisor believes that D.H. Hill Securities, LLLP provides service and competitively priced investments which may complement a client's managed account.

Advisor's Chief Compliance Officer, Dan H. Hill, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.

### **Aggregation of Client Trades**

To the extent that Advisor provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Advisor decides to purchase or sell the same securities for several clients at approximately the same time. Advisor may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Advisor's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Advisor shall not receive any additional compensation or remuneration as a result of such aggregation.



**Directed Brokerage**

Some clients may instruct Advisor to use one or more particular brokers for the transactions in their accounts. Clients who may want to direct Advisor to use a particular broker should understand that this may prevent Advisor from effectively negotiating brokerage compensation on their behalf. This arrangement may also prevent Advisor from obtaining the most favorable net price and execution. Thus, when directing brokerage business, clients should consider whether the commission expenses and execution, clearance and settlement capabilities that they will obtain through their broker are adequately favorable in comparison to those that Advisor would otherwise obtain for its clients. Clients are encouraged to discuss available alternatives with their advisory representative.

## Item 13 – Review of Accounts

Client accounts are generally reviewed on an ongoing basis but not less frequently than quarterly. Additionally, reviews may be triggered by changes in the client's circumstances, changes in the conditions, prospects, or market price of a portfolio holding, changes in the geopolitical or economic circumstances, or changes in the securities or financial markets generally. Accounts are reviewed by qualified advisors as appropriate in relation to the number of accounts being managed. Qualified reviewers are investment advisor representatives and are responsible for reviewing their client accounts for performance and suitability. Each portfolio manager is responsible for monitoring the managed accounts and for adhering to the investment objectives of the client.

If a financial plan is prepared for a client, the investment advisor representative who prepared the plan is responsible for reviewing the plan with the client and answering any questions regarding the contents of the plan.

### Reports to Clients

Unless clients specify otherwise, clients generally receive confirmations of trading activity and regular monthly or quarterly summary account statements directly from the custodian of their accounts. Clients may also review their accounts on the custodian's website or other method provided by the custodian.

Reports from Advisor or third-party managers will be available no less frequently than quarterly and will include a statement of current holdings.

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

As referenced in Item 12 above, Advisor may receive an indirect economic benefit from the broker dealer and/or custodian they recommend. Advisor, without cost (and/or at a discount), may receive support services and/or products from the broker dealer and/or custodian they recommend.

Advisor periodically receives client referrals from websites where they may be listed. In no case will the client pay any additional fees to Advisor for services if the referral comes from any of these listings.

## Item 15 – Custody

It is Advisor's policy to not accept custody of a client's securities. In other words, Advisor is not granted access to clients' accounts, which would enable Advisor to withdraw or transfer or otherwise move funds or cash from any client account to Advisor's accounts or the account of any third party (other than for purposes of fee deductions, as explained below). This is for the safety of the clients' assets.

However, with a client's consent, Advisor may be provided with the authority to seek deduction of Advisor's fees from a client's accounts; this process generally is more efficient for both the client and the investment adviser, and there may be tax benefits for the client to this method when fees can be paid from certain tax-deferred accounts of clients. The account custodian does not verify the accuracy of Advisor's advisory fee calculation.

All of Advisor's clients receive account statements directly from qualified custodians, such as a bank or broker dealer that maintains those assets. The client should carefully review these account statements, and compare them to the quarterly or other reports provided by Advisor. Statements provided by Advisor may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Advisor urges all clients to compare statements in order to ensure that all account transactions, including deductions to pay advisory fees, remain proper, and to contact Dan H. Hill, Chief Compliance Officer, with any questions.

## Item 16 – Investment Discretion

For discretionary accounts managed by Advisor, Advisor has a limited power of attorney only to buy and sell securities in client accounts and Advisor has full discretion over the selection of securities to be bought and sold without obtaining specific client consent. Notwithstanding, clients may impose certain restrictions on their accounts by written notice to Advisor.

Prior to Advisor assuming discretionary authority over a client's account, the client shall be required to execute an investment management agreement granting Advisor authority to buy, sell, or otherwise effect investment transactions. In addition, any investment discretion is obtained in writing through a limited power of attorney signed by the client prior. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

Once the portfolio is constructed, Advisor provides ongoing supervision and re-balancing of the portfolio as changes in market conditions and client circumstances may require.

For non-discretionary accounts managed by Advisor, Advisor has a limited power of attorney only to buy and sell securities in client accounts and Advisor has no discretion over the selection of securities to be bought and sold without first consulting with the client. Please be advised that as a result, until Advisor reaches the client, no transactions will be placed in any client accounts.

For accounts managed by third-party managers, Advisor does not have discretion over the selection of securities to be bought and sold.

## **Item 17 – Voting Client Securities**

Advisor will not vote proxies on behalf of advisory clients' accounts. Clients will receive proxies or other solicitations directly from their broker dealer/custodian.

**Item 18 – Financial Information**

Advisor does not require the prepayment of more than \$500 in fees per client, six months or more in advance. Advisor accepts limited forms of discretion over clients' accounts, as described in Item 16 of this brochure. Advisor is unaware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Advisor has never been subject of a bankruptcy proceeding.

## Item 19 – Requirements for State-Registered Advisers

Danny (Dan) Harold Hill is the principal executive officer and management person for the Advisor. Dan was born in 1950.

### Education

Study towards an MBA and Certified Financial Planner, East Texas State University, 1978

BBA degree in Accounting, Stephen F. Austin State University, 1973

Texarkana Jr. College, 1970

### Business Background:

Financial services industry dealing primarily with securities, advisory, insurance, energy, and software design & development in the capacity of an owner and CEO, including but not limited to the following:

D.H. Hill Securities, LLLP (1996–Present), President of General Partner and Compliance Principal

D.H. Hill Advisors, Inc. (1998–Present), President and Chief Executive Officer

D.H. Hill Insurance Services, LLC (2007 – Present), Managing Member

### Experience Summary:

32 Years Experience in Insurance

29 Years Experience in Securities

29 Years Experience as a Licensed Real Estate Broker

29 Years Experience in Financial Planning

### Licenses:

Insurance: General Lines (Life & Health) & Variable

Securities: Series 63, 6, 7, 22, 24, 28, 51

Real Estate: Real Estate Broker - Texas



**Other Business Activities**

Other business activities are discussed above in Item 10.

**Performance-Based Fees**

As discussed in Item 6 above, Dan H. Hill or DH Hill Advisors, Inc., does not received performance-based fees.

**Requirements for State-Registered Advisers**

Arbitration Claims:	None
Self-Regulatory Organization or Administrative Proceedings:	None
Bankruptcy Petition:	None