

HM Capital Management, Inc.
218 East 10th Street
Indianapolis, Indiana 46202

Contact Information:
317-231-9752
hmcapitalmgmt@sbcglobal.net

Brochure Dated March 15, 2012

This brochure provides information about the qualifications and business practices of HM Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at 317-231-9752 and/or hmcapitalmgmt@sbcglobal.net. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about HM Capital Management, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

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Advisory Business

- A. HM Capital Management, Inc. was founded June 17, 1992 as an Indiana based advisory firm. We are 100% employee owned, and all employees are owners.

<u>Principal Owners:</u>	<u>% Ownership</u>
Sandra K. Heidenreich	33%
Max E. Hudspeth, CFA	34%
Rhonda Miller, CFA	33%

- B. HM Capital Management, Inc. provides investment supervisory services—continuously reviewing client investment portfolios and making changes based on client needs and objectives.
- C. We apply a disciplined investment approach within the framework of the client's specific guidelines and objectives.
- D. We do not participate in wrap fee programs.
- E. As of December 31, 2011 we managed \$64.4 million client assets on a discretionary basis.

Fees and Compensation

- A. HM Capital Management, Inc. charges fees based on a percentage of asset value using the following rate schedules:

Equity and Balanced Portfolios

Market Value:

First \$1,000,000	.90 of 1% (.0090)
\$1,000,000 to \$5,000,000	.60 of 1% (.0060)
\$5,000,000 to \$50,000,000	.40 of 1% (.0040)
Over \$50,000,000	.30 of 1% (.0030)

Fixed Income Portfolio

Market Value:

First \$1,000,000	.70 of 1% (.0070)
\$1,000,000 to \$5,000,000	.40 of 1% (.0040)
\$5,000,000 to \$50,000,000	.30 of 1% (.0030)
Over \$50,000,000	.20 of 1% (.0020)

Modifications to the stated fee schedules may be warranted if the client's circumstances differ significantly from our typical client.

This fee schedule is negotiable only in cases where reduced investment supervision is called for due to the structure of the portfolio and/or client's stated objectives.

- B. All fees are billed directly to the client. Fees are due and payable immediately following the quarter in which services are rendered.
- C. Clients are subject to customary brokerage and/or transaction cost as discussed on page 6. In addition to these costs and our investment advisory fees, clients may incur custodian and/or mutual fund expenses.

Performance-Based Fees and Side-by-Side Management

This section is not applicable to HM Capital Management, Inc.

Types of Clients

HM Capital Management, Inc. generally provides investment advisory services to individuals and institutional accounts. The minimum account relationship is \$1,000,000.

Methods of Analysis, Investment Strategies and Risk of Loss

HM Capital Management, Inc. invests in high quality securities using fundamental equity and credit analysis. Our clients must recognize that risk of loss is an element of any investment strategy. We make every attempt to minimize risk by consistently applying a disciplined approach.

Our High Quality Intermediate Maturity Bond Strategy entails the following risks: Market Risk, Credit/Issuer Risk, Sector Risk, Interest Rate Risk, Style Risk, Manager Risk, Prepayment Risk and Yield Curve Twist Risk.

Our Value Equity Strategy entails the following risks: Market Risk, Capitalization/Size Risk, Credit/Issuer Risk, Sector Risk, Style Risk and Manager Risk.

Disciplinary Information

This section is not applicable to HM Capital Management, Inc.

Other Financial Industry Activities and Affiliations

This section is not applicable to HM Capital Management, Inc.

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

- A. When dealing with any client, for which HM Capital Management, Inc. acts as an investment manager, our principals, officers, directors and employees are mindful that Section 206 of the Advisers Act makes it unlawful for an investment adviser to directly or indirectly:
1. Employ any device, scheme, or artifice to defraud any client or prospective client.
 2. Engage in any transactions, practice or course of business which operates as a fraud or deceit upon any client or prospective client; and
 3. Engage in any act, practice, or course of business which is fraudulent, deceptive or manipulative.

HM Capital Management, Inc. is governed by the following principles and applies them to their supervised persons, including principals, directors, officers and employees.

1. No officer or employee shall engage in any act, practice or course of conduct that would violate the provisions of Section 206 set forth above.
2. The interests of the clients are paramount and come before the interests of any officer or employee.
3. Personal investing activities of all officers and employees shall be conducted in a manner that shall avoid actual or potential conflicts of interest with the clients.

We will supply a copy of our complete Code of Ethics to any client or prospective client upon request.

- B. This section is not applicable to HM Capital Management, Inc.

- C. The price paid or received by any client, for a security, should not be affected by a buying or selling interest on the part of an officer or employee or otherwise result in an inappropriate advantage to an officer or employee. To that end, no officer or employee shall enter an order for the purchase or sale of a security which they know or should have known that a client is, or is considering, purchasing or selling until two days after the client's transactions in that security have been completed unless the Chief Compliance Officer determines that it is clear that, in view of the nature of the security and the market for such security, the order of the officer or employee will not affect the price paid or received by any client.
- D. No greater benefit will accrue to our principals, directors, officers and employees than will accrue to clients for similar transactions.

Brokerage Practices

The selection of brokers will not depend on the value of products, research and services given to HM Capital Management, Inc. The commissions paid by client accounts to brokers providing products and/or research will not be greater than commissions paid to brokers not providing products and/or research. Research is used in the management of all client accounts.

- A. HM Capital Management, Inc. does not participate in any soft-dollar arrangements.
- B. We aggregate the purchase and sale of securities for our client accounts.

Review of Accounts

The Investment Committee, comprised of all principals, reviews all discretionary accounts, minimally, on a monthly basis. The committee is comprised of the President, Chief Compliance Officer and Secretary.

Clients receive written reports on a quarterly basis. Included in the report are a performance summary, a transaction report, an asset listing and strategy summaries. Additionally, clients receive monthly asset and transaction statements directly from the custodian.

Client Referrals and Other Compensation

This section is not applicable to HM Capital Management, Inc.

Custody

HM Capital Management, Inc. does not maintain custody of client assets.

Investment Discretion

We manage portfolios on a discretionary basis within the client's executed guidelines and objectives.

Voting Securities

Unless a client and HM Capital Management, Inc. otherwise agree, HM Capital Management, Inc. will be under no obligation to forward proxies or proxy statements received by it to the client unless specific request for the forwarding of the particular proxies is made in writing by the client. HM Capital Management, Inc. may exercise, but will be under no obligation to exercise, voting rights incident to any securities held in the portfolio without consultation with client, provided that we follow any written instructions received from the client with respect to voting as to particular issues.

HM Capital Management, Inc. votes proxies in what it deems is the best interest of the shareholders. We will vote against any dilution of shareholder interests or control. We vote on the merits of each shareholder and/or management proposal.

Financial Information

This section is not applicable to HM Capital Management, Inc.

Max E. Hudspeth, CFA

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Date: March 15, 2012

This brochure supplement provides information about Max E. Hudspeth that supplements the HM Capital Management, Inc. brochure. You should have received a copy of that brochure. Please contact Rhonda Miller, president, if you did not receive the HM Capital Management, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about Max E. Hudspeth is available on the SEC's website at www.adviserinfo.sec.gov

Educational Background and Business Experience

Max E. Hudspeth, CFA
Date of Birth: 1955

Mr. Hudspeth has been a Vice President and the Chief Investment Officer and a co-owner of HM Capital Management, Inc. since the firm was established in 1992.

He is a Chartered Financial Analyst. His Charter, #8514, was granted in 1985. The Chartered Financial Analyst Program is a graduate level self-study program offered by the CFA Institute to investment and financial professionals. In order to be granted a charter, a candidate must demonstrate a mastery of the CFA program and pass three six-hour examinations. Additionally, he must have a bachelor's degree, have 4 years of qualified work experience, become a member of the CFA Institute and adhere to the *CFA Institute Code of Ethics* and *The Standards of Professional Conduct*.

Mr. Hudspeth graduated from Purdue University in 1978 with a BS in Management.

Disciplinary Information

Mr. Hudspeth has not had any legal or disciplinary events.

Other Business Activities

This item is not applicable to Mr. Hudspeth.

Additional Compensation

This item is not applicable to Mr. Hudspeth.

Supervision

To assure the priority of our clients' transactions, all employees are required to submit quarterly statements of all investment transactions (other than money market funds or bank accounts) and are required to sign such statements indicating full disclosure.

As an employee, Mr. Hudspeth is required to annually review the *CFA Institute Code of Ethics* and *The Standards of Professional Conduct* and to review HM Capital Management, Inc.'s *Policies and Procedures* with the firm's president, Rhonda Miller, 317-231-9752.

Requirements for State-Registered Advisers

This item is not applicable to Mr. Hudspeth. He has not been found liable in an arbitration claim alleging damages or in a civil, self-regulatory organization or administrative proceeding. Nor has he been the subject of a bankruptcy petition.

Rhonda Miller, CFA

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Date: March 15, 2012

This brochure supplement provides information about Rhonda Miller that supplements the HM Capital Management, Inc. brochure. You should have received a copy of that brochure. Please contact Rhonda Miller, president, if you did not receive the HM Capital Management, Inc.'s brochure or if you have any questions about the contents of this supplement.

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

Educational Background and Business Experience

Rhonda Miller, CFA
Date of Birth: 1951

Ms. Miller has been President and a co-owner of HM Capital Management, Inc. since the firm was established in 1992.

She is a Chartered Financial Analyst. Her charter, #8789, was granted in 1985. The Chartered Financial Analyst Program is a graduate level self-study program offered by the CFA Institute to investment and financial professionals. In order to be granted a charter, a candidate must demonstrate a mastery of the CFA program and pass three six-hour examinations. Additionally, she must have a bachelor's degree, have 4 years of qualified work experience, become a member of the CFA Institute and adhere to the *CFA Institute Code of Ethics and Standards of Professional Conduct*.

Ms. Miller graduated from DePauw University in 1973 with a BA in Mathematics.

Disciplinary Information

Ms. Miller has not had any legal of disciplinary events.

Other Business Activities

This item is not applicable to Ms. Miller.

Additional Compensation

This item is not applicable to Ms. Miller.

Supervision

To assure the priority of our clients' transactions, all employees are required to submit quarterly statements of all investment transactions (other than money market funds or bank accounts) and are required to sign such statements indicating full disclosure.

As an employee, Ms. Miller is required to annually review the *CFA Institute Code of Ethics* and *The Standards of Professional Conduct* and to review HM Capital Management, Inc.'s *Policies and Procedures*.

Requirements for State-Registered Advisers

This item is not applicable to Ms. Miller. She has not been found liable in an arbitration claim alleging damages or in a civil, self-regulatory organization or administrative proceeding. Nor has she been the subject of a bankruptcy petition.