

Hill Capital Management

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Firm Brochure
(Part 2A Form ADV)
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This brochure provides information about the qualifications and business practices of Hill Capital Management. 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 Hill Capital Management for also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

Other than formatting changes required by the Securities & Exchange Commission (SEC), we have made no material changes to our last annual brochure, renewed in August 2011. However, the formatting changes we have made are intended to provide information in a more meaningful and clear manner, and we therefore encourage all readers to review the brochure in its entirety.

Advisory Business

Firm Overview

Hill Capital Management, a privately owned North Carolina corporation, is dedicated to comprehensive wealth management for our clients and their families. The firm's principle owner is C. Brian Hill. Since 2002, the firm has had a singular focus: to provide highly customized investment management and financial planning solutions to our clients.

Portfolios are constructed to mirror our clients' goals and tolerance for risk. They are fully diversified using a mix of cash, fixed income and hybrid/alternative investments along with domestic and international equities. Portfolios can also be constructed in a socially responsible manner to mirror a client's values.

In conjunction with investment management, we offer comprehensive financial planning, and our areas of expertise include retirement, education savings, tax, risk management (insurance) and estate planning. We believe financial planning is an ongoing need and that it should proactively address the financial and family-related changes that occur during the lifetimes of our clients. As an extension of estate planning, we assist our clients with generational wealth transfer by working in partnership with their estate-planning attorney.

Assets Under Management

As of 31 December 2010, Hill Capital Management managed \$1 million across approximately 5 individual client relationships. Approximately \$1 million was managed on a discretionary basis and held directly by our custodian, Charles Schwab & Co. Approximately \$0 million was managed on a non-discretionary basis, for example, a client's employer 401(k) plan which we do not have the ability to make changes to but we may advise the client as to changes we believe they should make.

These assets are in accounts, which include taxable brokerage accounts, IRA accounts and trusts.

Fees and Compensation

Fee Schedule

The compensation for our services shall be calculated and paid in accordance with the following Schedule of Fees. Our fees are negotiable. We may amend these fees from time to time after giving our clients thirty (30) days written notice. Our management fee is based on a percentage of the market value of assets under management according to the schedule shown below:

Blended accounts:

On balances less than \$1,000,000 2.00% Annually

On balances over \$1,000,000 Negotiable

We may charge an initial one-time financial planning fee. This fee, which is due at the time our investment advisory agreement is executed, is based on the complexity of the required financial planning. This fee varies and is disclosed along with the standard asset management fees in the investment advisory agreement. Ongoing investment management fees are billed at the beginning of each calendar quarter or if the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis.

As paying agent for Hill Capital Management, Charles Schwab & Co. will directly debit client accounts for the payment of advisory fees. This ability to deduct advisory fees for client accounts causes our firm to exercise limited custody over client funds or securities. Hill Capital Management does not have physical custody of any client funds and/or securities the amount is automatically deducted from the cash balance of the clients' accounts. If necessary, small portions of investment securities may be sold to bring the cash balance to the level required for the automatic deduction of fees. You will receive independent statement from Charles Schwab at least quarterly. You should carefully review your statement. If you have a question, or did not receive your statement from Charles Schwab, please contact us directly at the telephone number on the cover page of this document.

Custodial and Broker-Dealer Fees

Our fees are in addition to any trading fees charged by a broker/dealer, the custodian or separate account managers as well as mutual fund expenses. The custodians that maintain our clients' accounts generally do not charge separate fees for custody services but are compensated by commissions or fees on trades they execute. We generally do not make a practice of using outside brokers or vendors, but on the rare occasion that a client seeks a service that our custodians cannot provide, there may be additional fees associated. Our custodians may charge a flat dollar amount as a "prime broker" or charge a "trade away" fee for each trade that Hill Capital Management executes through an outside broker-dealer. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. In order to minimize these trading costs, we have our custodians execute a majority of trades for clients' accounts. We have determined that having our current custodians execute most trades is consistent with our duty to seek "best execution" of clients' trades.

Performance-Based Fees and Side-By-Side Management

Pay for Performance

Hill Capital Management does not have performance-based account arrangements. Not using performance incentives allows us to give more unbiased advice: we do not favor one client account over another, nor do we assume more risk than a client wishes to take.

Types of Clients**Description**

Our services are offered to individual clients, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities.

In general, we require a minimum of \$500,000, to open and maintain an advisory account. At our discretion, we may waive this minimum account size.

Methods of Analysis, Investment Strategies and Risk of Loss**Getting to Know Our Clients**

Hill Capital Management gets to know our clients and their tolerance for risk before formulating investment advice. We begin this process by asking clients to complete a risk tolerance questionnaire and a money autobiography. The risk tolerance questionnaire helps us evaluate our clients' knowledge of investments and how market risk affects the value of investments, as well as how risk can lead to losses. The money autobiography helps us to understand our clients' views about money.

These questionnaires are reviewed with the client by their assigned financial advisor and investment manager prior to developing an investment strategy or our making investment recommendations. This discussion provides everyone involved with the opportunity to ask questions and address them thoroughly. This dialogue around risk, the markets and the possibility of loss leads to the investment manager's developing an asset allocation strategy he or she feels accurately mirrors the client's tolerance for risk.

Planning & Investments

Although a client's risk tolerance is the primary driver in developing the appropriate asset allocation and investment strategy, we also try to validate the investment strategy through the financial planning we do for our clients. For example, the retirement planning illustrations that we provide make assumptions around portfolio returns. These returns and the subsequent portfolio growth shown in the retirement planning

illustrations often demonstrate to our clients that higher rates of return and the higher associated risk are not always necessary to achieve their longer-term retirement goals. Integrating their investment return forecast into their financial planning helps our clients better understand how over time, a portfolio can grow sufficiently with less risk and less potential for loss.

Asset Allocation and Risk

Hill Capital Management employs an investment strategy based on having a diversified investment portfolio using six primary asset classes: cash, fixed income (bonds), hybrid or alternative investments, domestic equities, international equities and options. Within each asset class, we diversify further by considering factors such as, but not limited to, sector, size of the company and geographic location. This focus on fully diversifying our clients' portfolios is intended to mitigate risk by investing in numerous areas of the market and allows us to avoid trying to "time" market swings. We believe this strategy is effective for avoiding significant or unusual risks and dampening the corresponding volatility and potential for loss. All investment programs have certain risks. Our investment approach of using multiple asset classes combined with other factors such as sectors, company size and geographic location diminishes the risk associated with primarily recommending a particular type of security. However, as with all investments, clients face investment risks including the following: loss of principal risk, interest-rate risk, market risk, inflation risk, currency risk and reinvestment risk.

Disciplinary Information

Legal and Disciplinary

Neither Hill Capital Management nor its owner or associates has ever been the subject of any legal or disciplinary events material to our business.

Other Financial Industry Activities and Affiliations

Affiliations

Mr. Hill, is also President and CEO of Independent Insurance Solutions, a North Carolina and Florida based insurance advisory agency.

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

Ethics Program

Hill Capital Management maintains and monitors ethical standards to ensure transparency and fairness in our business practices. These standards are assessed regularly to ensure they address changing processes and procedures associated with managing our clients' financial planning and investment needs. Our ethical principles, business standards and procedures are presented to our associates annually and on an as-needed basis to address staffing and/or procedural changes that may occur during the course of a year. Failure on the part of our associates to adhere to these principles and business standards will result in dismissal from our firm. We will provide a copy of our code of ethics to any client or prospective client upon request.

Principles

Principle of Fiduciary Duty – Associates will act in utmost good faith in a manner they reasonably believe to be in the best interest of the client.

Principle of Integrity – Associates will place the interests of clients first and will not take inappropriate advantage of their positions or the knowledge derived from having access to nonpublic information about our clients. All personal securities transactions will be conducted in a manner consistent with our firm's policy to avoid any conflict of interest or any abuse of an associate's position of trust and responsibility.

Principle of Confidentiality – Information concerning the identity of security holdings and financial circumstances of each client will remain confidential. This information will be provided to associates on a "need to know" basis or as authorized by our clients.

Principle of Objectivity – Associates will exercise objectivity in all financial planning and investment management decisions. This includes disclosing anything that may exist in our financial business, property or even personal interests and relationships that may impair our ability to offer objective advice, to make objective recommendations or to provide services objectively.

Principle of Professionalism – Associates will engage in fair and honorable business practices. Associates will behave with dignity and courtesy when dealing with clients.

Standards of Business Conduct

Compliance with Laws and Regulations – Our associates must comply with applicable federal and state securities laws. Our associates are not permitted to defraud or mislead a client in any manner, including making a statement that omits material facts. Our associates may not engage in any act, practice or course of conduct which operates or would operate as a fraud or deceit upon a client. Our associates may not engage in any manipulative practice with respect to a client or engage in any manipulative practice with respect to securities, including price manipulation.

Conflicts of Interest – We have an affirmative duty of care, loyalty, honesty and good faith to act in the best interests of our clients. Compliance with this duty is achieved by avoiding conflicts of interest and by fully disclosing all material facts concerning any conflict of interest that arises with respect to any client.

Conflicts Among Clients Interests – Conflicts of interest may arise when the firm or its associates has reason to favor the interest of the firm or the interests of one client over another client. The Code of Ethics prohibits inappropriate favoritism of this type, and the existence of such favoritism would constitute a breach of fiduciary duty.

Marketing and Promotional Materials – Our associates must submit materials prepared for client seminars, outside marketing efforts and newsletters to the Chief Compliance Officer prior to their use.

Confidentiality – All information concerning the identity of security holdings and the financial circumstances of our clients is confidential. Our associates are prohibited to misuse client information. Procedures and physical and electronic safeguards are in place to provide reasonable protection and to limit access about advisors' securities recommendations and clients' securities holdings and transactions. Procedures are also in place to provide instruction to our associates if they come in contact with material nonpublic information, which begins with immediately notifying the Chief Compliance Officer upon receipt of material nonpublic information.

Client and Personal Trading Provisions

Competing With Client Trades – Because our associates sometimes buy and sell the same securities in their personal accounts that we recommend for clients, it is our policy to perform client trades before associate trades. We have monitoring in place to ensure compliance with this policy.

Insider Trading – All associates must adhere to our policies and procedures regarding insider trading. Associates are prohibited from trading, either personally or on behalf of others, while in possession of material nonpublic information. All associates are prohibited from communicating material nonpublic information to others.

Initial Public Offerings (IPOs) & Limited or Private Offerings – Participation in initial, limited or private offerings is rare but is sometimes made available through our custodians. Our associates are required to discuss with the Chief Investment Officer and Chief Compliance Officer any intent to participate in transactions of this nature, whether personally or on behalf of a client. The effort to “pre-clear” provides an opportunity to identify any conflicts of interest and to determine if it is in the best interest of the clients.

Short Term Trading – We sometimes engage in short-term trading activities. Any desire to do so by an associate is discussed on a case-by-case basis; in these discussions, our goal is to understand why an associate wishes to perform short term trades and to reinforce the fact that both the use of nonpublic information and the act of placing themselves in a more favorable position than a client are prohibited and will result in termination.

Brokerage Practices

Selecting Custodians

Hill Capital Management does not maintain custody of the assets that we manage or advise on behalf of our clients (see Custody section for further information). Clients' assets must be maintained in an account at a “qualified custodian,” which is generally a broker, a bank or a trust company. We currently use Charles Schwab & Co. We choose to work with Schwab, versus other custodians because of the benefits they provide to our clients. We weigh such criteria as the custodian's reputation, financial strength, past exhibited service levels, the breadth of available investment products and the ability to efficiently execute trades in client accounts. We also pay close attention to the expenses paid by our clients to the custodians in return for general account service. We

periodically evaluate our custodians against others to compare costs and benefits and to ensure our clients are receiving service levels commensurate with the fees charged by their custodian.

Clients will open their account(s) with the custodian by filling out the applicable paperwork that we prepare for their review and signature. If a client does not wish to place their assets with one of our custodians, then we cannot manage those assets because we do not have arrangements with other any other custodians to provide trading and service.

Trade Aggregation

Hill Capital Management may decide to aggregate trades for advisory accounts it manages (this practice is commonly referred to as “block trading”). Hill Capital Management will then distribute a portion of the shares to participating clients in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding fair and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share for all transaction costs. Accounts owned by Hill Capital Management or persons associated with our firm may participate in block trading with client accounts; however, they will not be given preferential treatment.

Complimentary Research Materials and “Soft Dollars”

Hill Capital Management receives complimentary economic data, electronic market quotations, performance measurement services and research information from Charles Schwab & Co. Because we rely primarily on research and information providers other than Schwab, the complimentary data they provide does not have a significant bearing on our decision..

Some investment managers receive “soft dollars,” which are incentives that do not come in the form of direct compensation. An example of soft dollars received by an investment manager might be free participation at an industry conference sponsored by the custodian. Hill Capital Management does not accept such incentives from our custodians.

Review of Accounts

Portfolio and Financial Plan Reviews

Hill Capital Management reviews portfolios monthly, quarterly and/or annually. The frequency of this portfolio review is determined by such factors as market conditions, variances to target allocations defined by a client’s risk profile, investment holdings that may have attained certain levels of gains or losses or investment holdings that may hold other concerns. Other factors that motivate a portfolio review include personal changes in clients’ circumstances, concerns regarding investment suitability or unanticipated cash needs.

Individual investments such as stocks, mutual funds and bonds are monitored continually by the firm's investment manager, C. Brian Hill. Additional reviews by the financial advisors are often motivated by a specific client request or action such as an unanticipated deposit or withdrawal. Changes in personal circumstances, such as the loss of a spouse or a change in employment status, might also trigger a review.

Account Statements

Hill Capital Management prepares and mails quarterly statements to our clients. This quarterly statement shows each account a client has and the value for all the accounts in aggregate as of the end of a specific quarter; it does not show transaction activity. Transaction activity is outlined in the monthly statements that the client receives directly from their custodian (see Statements below for more information about custodian statements).

Client Referrals and Compensation

Referral Programs

Hill Capital Management does not participate in any referral programs. We will occasionally refer a client to a third-party individual or firm who has particular knowledge of an area, but we receive no compensation for such referrals. We are grateful if and when someone refers a client to our firm, but we do not offer any compensation for such referrals.

Custody

SEC "Custody" Definition

According to new SEC regulations, investment advisers are deemed to have "custody" of client funds if certain conditions are met. Hill Capital Management may be technically considered to have "indirect custody" of accounts due to the fact that we are authorized to deduct funds from client accounts for management fee payment (see: Fees & Compensation).

Statements

Our clients receive monthly statements directly from our independent custodian Charles Schwab. All transaction activity is reflected in these independent, third-party monthly statements, and clients are encouraged to review these statements carefully.

In addition to these monthly independent custodian statements, Hill Capital Management prepares and mails quarterly statements to our clients. This quarterly statement shows each account a client has and the value for all the accounts in aggregate as of the end of a specific quarter; it does not show transaction activity. This quarterly statement should be reconciled by the clients against the independent custodian quarter-end statements (March, June, September and December) to ensure the ending values are equal.

Investment Discretion

Discretionary Authorities

Hill Capital Management typically accepts discretionary authority to manage securities accounts on behalf of our clients. Clients enter into this agreement by signing a Limited Power of Attorney document or account application furnished by the third-party custodian that grants certain defined permissions to our firm. These permissions typically include authorization to conduct trades, authorization to deduct fee payments and authorization to request copies of statements. These permissions might include authorization to make disbursements to banks, broker-dealers, investment companies or other financial institutions as well as authorization to make disbursements to the client. These permissions do not typically include the ability to transfer money into the account or out of the account to any entity not described above.

Voting Client Securities**Proxy Voting**

Hill Capital Management, unless instructed otherwise by the client, votes proxies in a manner we believe to be in the best interest of our clients, we do vote against the advice of the company management on occasion.

Financial Information**Firm Financials**

Pursuant to the SEC's guidelines, we are not required to furnish a balance sheet because we do not require prepayment of more than \$1200 per client six months or more in advance. We have no financial conditions that we believe are reasonably likely to impair our ability to meet our contractual commitments.

Brochure Supplement Part 2B Form ADV

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C. Brian Hill

Brian is the President and Chief Compliance officer of Hill Capital Management. He has 15 years of experience as an institutional trader on Wall Street trading and managing trading desks. His experience includes NASDAQ market making at JC Bradford, JW Genesis, and Sterling Financial. He has traded fixed income products such as corporate bonds, convertible bonds, mortgage backed securities, whole loans and US government securities for ABN Amro and Morgan Stanley. Mr. Hill attended the University of Georgia and Villanova University.

Disciplinary Information: None

Other Business Activities: President, Independent Insurance Solutions, an insurance agency that represents multiple carriers in multiple lines of insurance.