

PART 2A OF FORM ADV: FIRM BROCHURE

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This brochure provides information about the qualifications and business practices of Hildene Capital Management, LLC. If you have any questions about the contents of this brochure, please contact John Scannell, Chief Operating Officer, General Counsel and Chief Compliance Officer, by telephone at (212) 687-8743 or by email at jscannell@hildenecap.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.

Hildene Capital Management, LLC is a Registered Investment Adviser. Registration as an investment advisor reflects only that a firm has registered with the SEC and does not imply a certain level of skill or training.

Additional information about Hildene Capital Management, LLC is available on the SEC's website at <http://www.adviserinfo.sec.gov>. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 160415.

Item 2 – Material Changes

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization, including material changes since the last annual update of the Firm Brochure.

Annual Update

Hildene Capital Management, LLC is registering for the first time with this initial filing of the Brochure. After our initial filing, the Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at (212) 687-8743 or by email at jscannell@hildenecap.com.

Item 3 – Table of Contents

Item 4 – Advisory Business.....	4
Item 5 – Fees and Compensation.....	7
Item 6 – Performance Based Fees and Side-By-Side Management	7
Item 7 – Types of Clients	7
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	8
Item 9 – Disciplinary Information.....	9
Item 10 – Other Financial Industry Activities and Affiliations.....	9
Item 11 – Code of Ethics, Participations of Interest in Client Transactions and Personal Trading	10
Item 12 – Brokerage Practices.....	10
Item 13 – Review of Accounts	13
Item 14 – Client Referrals and Other Compensation	13
Item 15 – Custody	13
Item 16 – Investment Discretion	14
Item 17 – Voting Client Securities	14
Item 18 – Financial Information.....	14
Item 19 – Requirements for State-Registered Advisers	14

Item 4 – Advisory Business

The Firm

Hildene Capital Management, LLC, a Delaware limited liability company (“HCM”), was founded by Brett Jefferson in January 2008 to take advantage of opportunities in the stressed/distressed structured finance market. HCM is a wholly-owned subsidiary of Hildene Holding Company, LLC (“HoldCo”). In turn, HoldCo is owned 65% by Mr. Jefferson and the remainder by other principals of HoldCo. No person other than Mr. Jefferson owns 25% or more of HoldCo’s outstanding equity. Neither HoldCo nor HCM is publicly owned or traded. In addition to HCM, HoldCo also has several other private subsidiaries which serve tax-efficient roles in managing the firm’s business activities.

Types of Advisory Services

HCM provides continuous investment management services on a fully discretionary basis to a diverse array of clients, including institutions and pooled investment vehicles. HCM primarily provides advice regarding structured finance opportunities such as collateralized debt obligations (CDOs), collateralized loan obligations, residential mortgage-backed securities (RMBS), and other types of debt securities backed by the payments from pools of fixed income instruments. HCM specializes in complex financial instruments and uncovering overlooked long-term value opportunities within inefficient markets. With a disciplined, systematic approach, HCM believes that it can achieve high risk-adjusted returns with calculated investments acquiring deeply discounted fundamental value in dislocated markets. Structured finance investments can be complex, opaque and require specialized expertise to analyze.

HCM provides its investment management services through a variety of vehicles, including private funds and separate accounts. A description of the advisory services HCM provides in respect of these vehicles is as follows.

Hildene Opportunities Master Fund, Ltd. (“HOF1”)

HOF1 was launched in May 2008 for the purpose of investing and trading primarily in structured finance securities including collateralized debt obligations, collateralized loan obligations, mortgage-backed securities, asset-backed securities, bank debt, special situations, high-yield bonds and special situation equity securities. HOF1 is part of a “master-feeder” fund structure comprised of investments by two feeder funds, Hildene Opportunities Fund, LP, a Delaware limited partnership established for U.S. taxable investors, and Hildene Opportunities Offshore Fund, Ltd., a Cayman Islands-based corporation established for non-U.S and U.S. tax-exempt investors.

HOF1's investment objective is to achieve absolute risk-adjusted returns over an extended period of time with a minimum correlation to the broadly-based stock and bond indices. HOF1 invests primarily in CDOs backed by trust-preferred securities ("TruPS") issued by small and regional financial institutions in the United States. TruPS are hybrid securities that combine attractive features of debt and equity. While many real estate investment trusts also issue TruPS, HCM avoids these securities due to the lack of regulatory oversight of the issuers.

Bank TruPS have the following features:

- Treated as Tier 1 capital for regulatory purposes (up to 25%)
- Tax-deductible coupon payments lower the cost of this equity
- Non-amortizing securities with 30-year maturities (may be callable)
- Coupon payments can be deferred for up to 5 consecutive years without default
- Deferred coupon is cumulative and increases the outstanding principal

Hildene Opportunities Master Fund II, Ltd. ("HOF2")

HOF2 was launched in August 2011 for the purpose of investing and trading primarily in credit-related opportunities including small and medium-sized corporate credits, single name credits, collateralized loan obligations, seasoned residential mortgage-backed securities, asset backed securities, bank debt, special situations, high-yield bonds, seasoned ABS CDOs, CRE CDOs, and other structured credit investments. HOF2 is part of a "master-feeder" fund structure comprised of investments by two feeder funds, Hildene Opportunities Fund II, LP, a Delaware limited partnership established for U.S. taxable investors, and Hildene Opportunities Offshore Fund II, Ltd., a Cayman Islands-based corporation established for non-U.S. and U.S. tax-exempt investors.

HOF2's investment objective is to achieve absolute risk-adjusted returns over an extended period of time with a minimum correlation to the broadly-based stock and bond indices. To do this, HCM primarily invests in credit-based securities, applying a thorough and multi-faceted fundamental valuation of the underlying structure. This entails an in-depth analysis of the legal components, a detailed analysis of the underlying cash flows and a thorough understanding of the overall credit risk of the underlying investment. HOF2 invests in securities that are complex and illiquid, and leverage may be used to enhance returns.

Separate Accounts

HCM manages separate accounts for institutional clients. Generally, these separate accounts will invest primarily in structured finance opportunities, including CDOs, collateralized loan obligations and other types of debt securities backed by the payments from pools of fixed income instruments. Specific investment strategies employed by HCM in connection with any separate account are memorialized in an advisory services contract with the account holder.

Notwithstanding the foregoing, HCM generally retains the authority to invest and trade on behalf of its clients a wide variety of instruments and securities of all kinds and descriptions, whether privately placed or publicly traded, including but not limited to common or preferred stock, bonds and other debt securities (including U.S. government and agency securities), convertible securities, accounts receivable, notes, interests in other investment funds and vehicles, loans and loan participations (including second lien or mezzanine loans on a secured or unsecured basis), instruments issued by distressed companies, limited partnership or limited liability company interests, repurchase agreements with respect to any securities, mutual fund shares, closed-end investment funds, options, warrants, commodities, futures contracts, currencies (including forward contracts therein), derivative products of all types (including interest rate and currency derivatives, total return swaps, credit default swaps and other types of swaps, forward contracts and structured/indexed securities), monetary instruments and cash and cash equivalent investments.

Tailored Advice and Investment Restrictions

HCM offers investment strategies through a variety of vehicles, including separate accounts and private funds. HCM may agree to tailor its advice in respect of separate account clients on a client-by-client basis, and may agree to impose reasonable restrictions on the types of investments made on behalf of such account. HCM's investment advice in respect of the private funds it manages is governed by the offering materials and governing documents of such funds, and is not tailored to specific investors in such funds. On occasion, investment opportunities may be identified which may be larger than HCM seeks for a fund, or which may be inappropriate for all investors in a fund. In such circumstances, HCM may allow specific clients and/or fund investors to participate directly in such investments along-side the fund's investment. Any such opportunities are presented only to individual clients who have previously expressed an interest in considering such opportunities and are sophisticated enough to understand both the risks of the investment and the risk to the client from direct exposure to the same investment held within the fund.

Wrap Fee Programs

HCM does not offer or participate in any wrap fee programs.

Client Assets Under Management

As of January 31, 2012, HCM managed assets on a discretionary basis in the amount of \$401,383,721 representing two private funds and one separately managed account. HCM does not currently manage any assets on a non-discretionary basis.

Item 5 – Fees and Compensation

HCM charges a management fee to clients based on a percentage of assets the client has supervised by HCM. The standard management fees charged to clients range from 1.5% per annum to 2% per annum. Management fees are generally deducted from the assets managed by HCM on behalf of a client on a quarterly basis, in advance. Management fees may be negotiable depending on the size of the client's investment. HCM may also elect to waive any management fees payable by any client. Management fees are typically non-refundable once paid.

Other than management fees and the incentive fees discussed in Item 6 below, HCM receives no fees from clients for its services. However, the Fund pays directly for certain fees and expenses, including administrator fee, custodian/settlement agent fee, accounting fees, legal and administration fees.

Neither HCM nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

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

HCM charges an incentive fee based on the performance of each account for which it provides investment management services. This performance-based fee may be payable either directly to HCM or to an affiliate of HCM. The standard incentive fee charged to clients is 20% annually, subject to a high-water mark. Incentive fees may be negotiable depending on the size of the client's investment. HCM seeks to align its incentive fees with investors and has committed with several investors to classify certain amounts of incentive fees as unearned redemption fees that are not payable until capital is redeemed by the investor. Each client charged an incentive fee by HCM must qualify as a "qualified client" under Rule 205-3 promulgated under the Investment Advisers Act of 1940, as amended.

Earned incentive fees are deducted from a client's assets at the end of each year, and, in the case of private funds managed by HCM, are typically treated as an allocation by such fund to HCM or its affiliates.

HCM does not participate in side-by-side management of assets.

Item 7 – Types of Clients

HCM offers its investment management services to institutional clients, such as banks, insurance companies, pension funds, corporations and other business entities, as well as to family offices,

endowments and trusts. HCM also manages private funds, including HOF1 and HOF2. From time to time, HCM may offer advisory services to high net worth individuals through private funds or separate accounts.

HCM generally requires a minimum investment of \$1,000,000 from investors in its private funds and from separate account clients. Occasionally, investments of less than \$1,000,000 are accepted by HCM from “friends and family” and other investors, as determined by HCM in its discretion. Prospective investors should refer to the appropriate fund offering documents or separate account advisory contract, as the case may be, for additional qualification requirements for investment.

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

Methods of Analysis and Investment Strategy

HCM primarily provides advice regarding structured finance opportunities, including CDOs, collateralized loan obligations, RMBS, and other types of debt securities backed by the payments from pools of fixed income instruments. HCM’s investment ideas may be generated from a wide variety of sources.

HCM uses a bottom-up approach that analyzes each investment opportunity from a fundamental and technical perspective, evaluating innate structural value, net asset value, liquidation value and other fundamental and technical factors. Using this approach, HCM purchases instruments and securities that it believes are mispriced because of either their complexity or a technical component in the marketplace. Ultimate value is achieved through a long-term view that focuses the general realization of value in the underlying assets. HCM believes that performance is best achieved when understanding all the macroeconomic components of the overall market and dissecting microeconomic drivers that define a structure or company.

HCM typically gathers information about an investment from a number of sources including, but not limited to trustee reports, syndicated software, customers, vendors, suppliers, competitors, consultants, advisors and industry executives. Through these channels of communication, HCM is often alerted to relevant news, nuances and information that may enhance the effectiveness of its investment analysis. HCM may also gather information from public filings (10-K's, 10-Q's, 8-K's, 13-G's, etc.), trade and financial publications, publication search engines, yield rankings, valuation screens, corporate action calendars, investment conferences and other available information sources.

HCM’s due diligence is founded on an in depth knowledge of underlying structural nuances. A thorough analysis of the expected result based on financial engineering and an overall

understanding of the terminal value and risks of the underlying credits of a specific company will be utilized in decision-making.

Summary of Material Risks

Investing in any security entails risk of loss, particularly when the securities are complex or distressed. HCM invests in securities that are both complex and distressed. Prices of securities react to the business and financial condition of the company that issued them as well as macro-economic factors. Prices of a security may rise and fall based on changes in the business or financial condition of the issuing company, changes in management and the potential for merger and acquisitions.

The investment strategies employed by HCM involve investing and trading in structured finance products. Investing in structured finance securities may entail a variety of unique risks. In addition, the performance of a structured finance security will be affected by a variety of factors, including its priority in the capital structure of the issuer thereof, the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets.

Item 9 – Disciplinary Information

HCM has no disciplinary events to disclose.

Item 10 – Other Financial Industry Activities and Affiliations

Neither HCM nor any of its management persons has registered as, or has a pending application to register as, a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of any of the foregoing entities.

Other than Hildene Advisors, LLC, a Delaware limited liability company and an affiliate of HCM (“HADV”) that serves as the general partner of certain feeder funds of HOF1 and HOF2, HCM does not have any financial industry affiliations. HADV is not registered or licensed in any capacity with any regulatory body, nor does it conduct any activities other than serving as the general partner of certain private funds managed by HCM.

HCM does not recommend other investment advisors to clients nor does it receive any compensation from other investment advisors.

Item 11 – Code of Ethics, Participations of Interest in Client Transactions and Personal Trading

HCM has adopted a written Code of Ethics (the “Code”) in compliance with Securities and Exchange Commission (“SEC”) Rule 204A-1. The Code is updated by HCM from time to time to reflect new legislation or regulations, or to otherwise reflect evolving best practices. All employees are required to read the Code, as part of HCM’s overall Compliance and Employee Manual (the “Manual”), and annually acknowledge compliance with the policies and procedures set forth therein. HCM will provide a copy of its code of ethics, as contained in the Manual, to any client or prospective client upon request.

The Code holds individuals to the highest standards of ethical conduct and places upon them a duty to act for the client’s benefit as well as to place the financial interests of HCM’s clients ahead of their own interests at all times. The Code also sets forth trading restrictions and/or prohibitions on certain types of securities for personal accounts, requires mandatory pre-clearance of certain securities, and mandates reporting of initial holdings information upon employment and periodic transaction reporting thereafter. HCM reviews these reports to ensure compliance by employees with HCM’s policies and procedures regarding trading activities.

HCM and/or its principals and affiliates may on occasion own, buy and/or sell securities which HCM recommends to its clients, subject to the personal trading limitations noted above. Such transactions may also include trading in securities in a manner that differs from or is inconsistent with advice given to clients. HCM recognizes that potential conflicts arise from such transactions and has taken reasonable measures to mitigate such conflicts.

Additionally, HCM may occasionally permit certain clients or private fund investors to participate directly along with investments made by a private fund managed by HCM. Any such opportunities are presented only to individual clients who have previously expressed an interest in considering such opportunities and are sophisticated enough to understand both the risks of the investment and the risk to the client from direct exposure to the same investment held within the fund. If, in such event, HCM later determines that it will sell any such investments for the relevant private fund, clients holding the same position will be contacted to give them an opportunity to sell concurrently with such fund.

Item 12 – Brokerage Practices

HCM will be responsible for the placement of the portfolio transactions of its clients and the negotiation of any commissions or spreads paid on such transactions. Portfolio investments normally will be purchased through brokers on securities exchanges or directly from the issuer or

from an underwriter or market maker for the investments. Purchases of portfolio investments through brokers may involve a commission to the broker. Purchases of portfolio investments from dealers serving as market makers include the spread between the bid and the asked price.

In placing portfolio transactions and negotiating commission rates, HCM will seek to obtain the best execution for its clients, taking into account the following factors: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker; (iv) the reputation of the broker; (v) the firm's risk in positioning a block of securities; (vi) efficiency of execution and error resolution; (vii) the quality, comprehensiveness and frequency of available research services considered to be of value; and (viii) the competitiveness of commission rates in comparison with other brokers satisfying HCM's other selection criteria.

HCM is authorized to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokerage firms that provide it with such investment and research information or to pay higher commissions to such firms if HCM determines such prices or commissions are reasonable in relation to the overall services provided. Research services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants. HCM is not required to weigh any of these factors equally. Information so received is in addition to and not in lieu of services required to be performed by HCM, and HCM's fees charged to clients are not reduced as a consequence of the receipt of such supplemental research information. Research services provided by broker/dealers used by HCM clients may be utilized by HCM or its affiliates (including other investment funds managed by such persons) in connection with their other investment activities. Since commission rates in the United States are negotiable, HCM's selection of brokers on the basis of considerations which are not limited to applicable commission rates may at times result in HCM's clients being charged higher transaction costs than it could otherwise obtain.

Use of "Soft Dollars"

The term "soft dollars" refers to the receipt by an investment manager of products and services provided by brokers, without any cash payment by the investment manager, based on the volume of brokerage commission revenues generated from securities transactions executed through those brokers on behalf of the investment manager's clients. Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), provides a "safe harbor" to investment managers with respect to potential liability for violating their duty to obtain best execution for a client's securities transactions in circumstances in which such managers use soft dollars generated by

their advised accounts only for purposes of obtaining investment research and brokerage services (i) that provide lawful and appropriate assistance to the investment manager in the performance of investment decision-making responsibilities and (ii) where the commissions paid are reasonable in relation to the value of the services provided. HCM does not currently, and does not in the future intend to engage in any soft dollar transactions. In the event that HCM does engage in any soft dollar transactions, it will not engage in any such transactions other than with respect to products and services which fall within the Section 28(e) safe harbor or where such products or services would otherwise be chargeable to its clients pursuant to the relevant fund offering documentation or separate account advisory contract.

Client Referrals

HCM may direct some of its clients' brokerage business to brokers who refer prospective investors to HCM. Because such referrals, if any, are likely to benefit HCM but will provide an insignificant (if any) benefit HCM's clients, HCM will have a conflict of interest with its clients when allocating such clients' brokerage business to a broker who has referred investors to HCM. To prevent HCM's clients' brokerage commissions from being used to pay investor referral fees, HCM will not allocate its clients' brokerage business to a referring broker unless HCM determines in good faith that the commissions payable to such broker are not materially higher than those available from non-referring brokers offering services of substantially equal value to such clients.

Allocation of Trades

HCM may at times determine that certain securities and investment opportunities, which may be suitable for one client, may also be suitable for other clients whose accounts are managed by HCM, possibly including HCM's own accounts or the accounts of an affiliate. If that occurs, and HCM is not able to acquire the desired aggregate amount of such securities on terms and conditions which HCM deems advisable, HCM will endeavor to allocate in good faith the limited amount of such securities acquired among the various accounts for which HCM considers them to be suitable. HCM may make such allocations among the accounts in any manner which it considers to be fair under the circumstances, including but not limited to allocations based on relative account sizes, funds available for investment, side pocket constraints, diversification considerations, the degree of risk involved in the securities acquired, and the extent to which a position in such securities is consistent with the investment policies and strategies of the various accounts involved.

Aggregation of Orders

HCM may aggregate purchase and sale orders of securities held by its clients with similar orders being made simultaneously for other accounts or entities if, in HCM's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to such clients based on an evaluation that such clients will be benefited by relatively better purchase or sale prices, lower

commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of securities for HCM clients will be effected simultaneously with the purchase or sale of like securities for other accounts or entities. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. In such event, the average price of all securities purchased or sold in such transactions may be determined, at HCM's sole discretion, and HCM clients may be charged or credited, as the case may be, with the average transaction price.

Item 13 – Review of Accounts

HCM reviews transaction activity for each of its accounts on a daily basis. HCM client accounts are reviewed at least monthly by HCM's portfolio managers and management team. This review is based on each portfolio's guidelines, investment strategy and other relevant factors.

Other factors that may cause a portfolio review include client contributions or distributions, revised client objectives, or changes in law.

HCM typically provides clients with account holdings, transaction summaries and performance data either monthly or quarterly. HCM may provide more frequent reporting as requested by a client.

Item 14 – Client Referrals and Other Compensation

HCM has entered into written arrangements with third party marketers for the referral of clients to HCM or to private funds managed by HCM. Pursuant to the terms of such arrangements, third party marketers engaged by HCM are typically entitled to a percentage of management and/or incentive fees earned by HCM on referred assets.

HCM does not receive economic benefits from any person not a client of HCM in exchange for providing advisory services to HCM clients.

Item 15 – Custody

HCM does not have custody of its clients' assets, however an affiliate of HCM, HADV, does act as the general partner of certain private funds, and HCM has a principal who serves on the board of directors of certain private funds, for which HADV and/or HCM may be deemed to have custody under certain rules promulgated by the SEC. The assets of HCM clients are held by a qualified custodian, which provides monthly account statements to each of HCM's separate

account clients and provides copies of such statements to HCM. Additionally, HCM seeks to have the private funds it manages audited on an annual basis by an independent public accountant that is both registered with and is subject to regular inspection by the Public Company Accounting Oversight Board. In respect of such private funds, HCM seeks to send audited financial statements of each fund to the investors in the fund within 120 days of the end of the fund's fiscal year.

Item 16 – Investment Discretion

HCM has discretionary authority over its clients' assets pursuant to the advisory contracts HCM enters into with such clients. This means that HCM places trades in its clients' account without contacting the client prior to any trade to obtain the client's permission. HCM's discretion may be limited pursuant to the terms and conditions of the applicable advisory relationship, provided that the restrictions are essentially consistent with HCM's investment process.

Item 17 – Voting Client Securities

Generally, HCM is not required to take any action or render any advice with respect to the voting of proxies solicited by or with respect to the issuers of securities in which client assets may be invested from time to time. In the event that HCM receives any such proxies, it is HCM's standard policy to forward them to the relevant client for voting purposes, or otherwise cooperate with the client in voting such proxies in accordance with the client's instructions. Notwithstanding the foregoing, HCM may from time to time agree with specific clients to vote proxies solicited by or with respect to the issuers of securities in which such client's assets may be invested. In particular, HCM typically votes proxy statements on behalf of its fund clients.

Item 18 – Financial Information

HCM has no additional financial circumstances to report. A balance sheet is not required to be provided because HCM does not require or solicit prepayment of more than \$1,200 in fees per client more than six months in advance of services rendered.

Item 19 – Requirements for State-Registered Advisers

Not Applicable