

Part 2A of Form ADV

Hills Fund Management, LLC

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This brochure (the “**Brochure**”) provides information about the qualifications and business practices of Hills Fund Management, LLC (“**Hills Fund Management**” or the “**Firm**”). If you have any questions about the contents of this Brochure, please contact us at (847) 277-2004. 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.

Hills Fund Management is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Hills Fund Management is also available on the SEC’s website at www.adviserinfo.sec.gov.

MATERIAL CHANGES

This section contains several material changes to the brochure since it was originally prepared in July, 2011 in connection with the initial registration of Hills Fund Management.

Hills Capital Preservation Plus, LLC (“**Preservation Plus**”) has been closed and is no longer being offered for investment.

Hills Capital Opportunity Fund, LLC now has three classes of interests; in addition to Class A and Class B Interests, Class C Interests were also offered beginning Sept 12, 2011. The Class C Interests has a different fee schedule and investment strategy than either Class A Interests or Class B Interests. All other rights and liabilities of investors are identical, regardless of which Class of Interest such investor may hold.

Class C Interests participates in the Special Opportunities Strategy which seeks to profit from inefficiencies in certain exchange-traded products (ETPs). The Manager will purchase or sell short various ETPs and/or related options based upon certain observed relationships between cash and futures markets.

The Incentive Allocation Class C Interests is equal to twenty percent (20%) of the Net New Profit in respect of such Capital Account at such time. No management fee is charged to Class C Interests.

Hills Fund Management has assets under management of approximately \$12,000,000.

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ADVISORY BUSINESS

Hills Fund Management, LLC is an Illinois limited liability company organized on September 12, 2008. Thomas E. Hills, Paul F. Hills, Michael A. Thompson and D. Matthew Thompson are the joint owners of the Firm.

As described more fully below, Hills Fund Management provides investment management services to Hills Capital Opportunity Fund, LLC ("**Opportunity Fund**"). Additionally, Hills Fund Management may manage client accounts directly in managed accounts in the future.

Hills Fund Management does not tailor the investment decisions of the Funds to individual clients and clients generally will not be able to impose restrictions on the Funds' investments in certain securities or types of securities.

As of the date of this Brochure, Hills Fund Management has approximately \$12,000,000 in assets under management, all of which is discretionary.

Hills Capital Opportunity Fund, LLC

Opportunity Fund is a Delaware limited liability company whose investment objective is to realize consistently positive absolute returns over a three to five year time frame through investing and trading in equities, futures, exchange traded funds and options. Hills Fund Management serves as the manager of Opportunity Fund.

Fees

Hills Fund Management does not receive a management fee for its services to Opportunity Fund.

Rather, Opportunity Fund allocates to Hills Fund Management 20% of any "Net New Profit" in each investor's capital account at the end of each year (an "**Incentive Allocation**"). "**Net New Profit**" is any amount by which the net asset value ("**NAV**") of an investor's capital account exceeds the "**High Water Mark**" for such account, which is the NAV of the capital account immediately after the assessment of the most recent Incentive Allocation (adjusting for any withdrawals or distributions since such assessment) or, if the account has never been assessed an Incentive Allocation, the amount of the capital contribution that established such capital account (adjusting for any withdrawals or distributions since it was established). A similar Incentive Allocation may be made when an investor makes a withdrawal or receives a distribution from Opportunity Fund.

Liquidity

An investor may generally withdraw all or any part of the balance of its capital in Opportunity Fund as of the end of any month, upon not less than 30 calendar days prior written notice.

Hills Fund Management may require an investor to withdraw all or any portion of its capital account as of any month-end by giving not less than 5 calendar days prior written notice. Hills Fund Management may also require withdrawals at any time without notice for certain tax and regulatory reasons.

In the event that withdrawal requests received exceed twenty percent of the Fund's NAV as of any effective date, Hills Fund Management may, in its discretion, reduce the withdrawal requests on a *pro rata* basis such that only withdrawals representing twenty percent of the Fund's NAV are effected.

Opportunity Fund ordinarily will distribute 90% of the estimated withdrawal proceeds within thirty calendar days and distribute any remaining amounts due promptly after the completion of its annual audit. No interest will be paid on withdrawal proceeds held back pending the completion of the annual audit.

Please see the relevant Fund’s Confidential Private Placement Memorandum or similar offering document (each, an “Offering Memorandum”) for additional details on the terms of an investment in that Fund.

FEES AND COMPENSATION

Hills Fund Management’s standard fee schedule is described above in the description of each Fund. In certain circumstances, alternative fees for a particular Fund may be negotiated between Hills Fund Management and a particular investor. Additionally, investors will incur brokerage and other transaction costs of the Funds (see Brokerage Practices below). The result of this structure therefore creates a total fee structure that may be higher than the fee structure for other investment products.

Hills Fund Management does not accept compensation for the sale of securities or other investment products from third parties.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Hills Fund Management generally charges performance-based fees described above as Incentive Allocations.

Hills Fund Management’s performance-based fees depend on continuing increases in the Funds’ profitability. This creates an incentive for Hills Fund Management to trade the Funds’ assets in a manner that is riskier or more speculative than would otherwise be the case.

Hills Fund Management’s performance-based fees are determined on the basis of the value of the Funds’ assets, including value attributable to unrealized appreciation. Thus, incentive fees or allocations may be made to Hills Fund Management based on positions that were profitable at the time such fees were assessed but unprofitable when eventually liquidated.

Additionally, Hills Fund Management has incentive to favor higher fee paying clients over other clients in the allocation of investment opportunities. Hills Fund Management has policies in place to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

TYPES OF CLIENTS

Hills Fund Management provides investment management services to private investment funds that it sponsors as well as high net worth individuals, trusts, estates and charitable organizations.

Each Fund is offered only by its Offering Memorandum to investors who meet the relevant investor eligibility requirements. Please see the relevant Fund’s Offering Memorandum for more information on the investor eligibility requirements for that Fund.

Additionally, each Fund is subject to a minimum investment amount. Hills Fund Management may raise or lower the minimum investment amount for each Fund and/or accept an initial capital contribution below the established minimum in its discretion. Please see the relevant Fund's Offering Memorandum for more information on the minimum investment amount for that Fund.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Hills Capital Opportunity Fund, LLC

Hills Fund Management is focused on loss avoidance by diversifying across asset class, style, and time with the goal of an annualized return commensurate with the risks in the capital markets, over a market cycle. This goal is achieved using a proprietary process that blends price **trend analysis**, yield curve **assessment**, and a systemic stress monitor to determine statistically favorable investing environments. Portfolios are focused on index level investments (ETFs) across five broad asset classes: US Equities, Ex-US Equities, Fixed Income, Commodities, and REITS. The funds aim for attractive returns after fees with less volatility than equities and no down years. This combination has been shown to result in a superior Sharpe ratio **with** low correlation to the major indices during bear markets.

Please see the relevant Fund's Offering Memorandum for a fuller description of the methods of analysis and investment strategies of that Fund.

The material risks related to these methods of analysis and investment strategies are as follows:

The risk factors listed below do not encompass all of the risks associated with an investment in a particular Fund. Please see the relevant Fund's Offering Memorandum for more information on the risks associated with an investment in that Fund. The primary risk factors associated with investing in the types of funds offered by Hills Fund Management include the following:

General Investment Risk. All investments in securities and other financial instruments involve substantial risk of volatility (potentially resulting in rapid declines in market prices and significant losses) arising from any number of factors that are beyond the control of Hills Fund Management, such as: changing market sentiment; changes in industrial conditions, competition and technology; changes in inflation, exchange or interest rates; changing domestic or international economic or political conditions or events; changes in tax laws and governmental regulation; and changes in trade, fiscal, monetary or exchange control programs or policies of governments or their agencies (including their central banks). Changes such as these, as well as innumerable other factors, are often unpredictable and unforeseeable, rendering it difficult or impossible to predict or foresee future market movements. Unexpected volatility or illiquidity in the markets in which the Funds hold positions could impair their ability to achieve their objectives and cause losses.

Investment Techniques. In implementing the Funds' investment strategy, the Hills Fund Management may utilize techniques to increase the Fund's equity exposure and investing and trading in financial futures contracts, options, forward contracts, swaps and other derivative instruments.

Long Positions. The success of the long positions established for the Funds by Hills Fund Management depends in large part on the Hills Fund Management's ability to accurately assess the fundamental value of those positions. An accurate assessment of fundamental value depends on a complex analysis of a number of financial and legal factors. No assurance can be given that Hills Fund Management will be in a position to assess the nature and magnitude of all material factors having a bearing on the value of the

Funds' long positions, or that Hills Fund Management will accurately assess the impact of all factors of which it is aware.

Money Market Investments. Money market investing involves certain risks. An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although money market funds seek to maintain a stable value of \$1.00 per share, it is possible to lose money by investing in a money market fund.

Non-Diversification and Sector Concentration. The Funds may invest in a limited number of issuers, without regard to the percentage of the Fund's assets invested with any single issuer or within any single industry. Nondiversification among issuers involves an increased risk of loss to the Funds if the market value of a security should decline. Moreover, when a Fund concentrates its investments in a market sector, financial, economic, business, and other developments affecting issuers in that sector will have a greater effect on the Fund than if it had not concentrated its assets in that sector.

Portfolio Turnover. The length of time the Funds have held a particular security is not generally a consideration in investment decisions. The Funds' investment policies may lead to frequent changes in their investments, particularly in periods of volatile market movements. Portfolio turnover generally involves some expense to the Funds, including brokerage commissions, dealer mark-ups and other transaction costs on the sale of securities and reinvestment in other securities.

Use of Derivatives. The Funds may use derivative instruments, including without limitation, option contracts, swap agreements and forward contracts, and derivative techniques, including without limitation, synthetic short sales, for various hedging and/or speculative purposes. Among other things, the prices of derivative instruments can be highly volatile. Price movements of derivative instruments are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

Futures Contracts and Related Options. Hills Fund Management may use futures contracts and related options for speculative purposes if the Firm determines that such use of futures contracts and related options would be in a Fund's best interest.

Dependence on Hills Fund Management and Key Personnel. Hills Fund Management will make all investment decisions for the Funds. As a result, the success of the Funds will depend to a great extent on the investment skills of Hills Fund Management and its principals. The Funds could be adversely affected if, because of illness or other factors, their services were not available for any significant period of time.

Substantial Fees and Expenses. The Funds are subject to substantial fees, transaction costs and other costs and other expenses, regardless of whether it realizes any profits. Among other things, investors may bear management fees and/or incentive compensation.

Limited Regulation. The Funds are offering interest or shares, as applicable, to investors pursuant to the exemption from registration under the Securities Act provided by Regulation D.

Investments Not Tax-Driven. A substantial portion of a Fund's income may constitute short-term capital gain or ordinary income in the form of dividends and interest, all of which are subject to income tax at the highest rate. Furthermore, Hills Fund Management's allocation and reallocation decisions will be based primarily on economic, and not tax, considerations. This could result, from time to time, in adverse tax consequences to investors.

There can be no assurance that the methods described above will be successful or that clients will not suffer losses. Investing in securities involves risk of loss that clients should be prepared to bear.

DISCIPLINARY INFORMATION

Hills Fund Management is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of it or the integrity of its management. Hills Fund Management has no information applicable to this section.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Hills Fund Management is registered as a commodity pool operator ("CPO") with the U.S. Commodity Futures Trading Commission (the "CFTC") and is a member of the U.S. National Futures Association ("NFA"). Three of Hills Fund Management's management persons, Thomas Hills, David Thompson and Michael Thompson, are registered with the CFTC as Principals and Associated Persons of Hills Fund Management and are members of the NFA in that capacity.

CODE OF ETHICS

Hills Fund Management has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Hills Fund Management must acknowledge the terms of the Code of Ethics annually, or as amended.

Hills Fund Management anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Hills Fund Management has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Hills Fund Management, its affiliates and/or clients, directly or indirectly, have a position of interest. Hills Fund Management's employees and persons associated with Hills Fund Management are required to follow Hills Fund Management's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Hills Fund Management and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Hills Fund Management's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Hills Fund Management will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Hills Fund Management's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity.

Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Hills Fund Management and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Hills Fund Management's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Hills Fund Management will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

Hills Fund Management's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Pamela Anderson at (847) 277-2004.

It is Hills Fund Management's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Hills Fund Management will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

BROKERAGE PRACTICES

Hills Fund Management has full discretion to select broker-dealers or others that execute transactions on behalf of the Funds, and Hills Fund Management determines the brokerage commission rate paid by the Funds.

The commission rates paid by the Funds may not be the lowest rates the Funds could have obtained, but Hills Fund Management believes they will be competitive with rates paid by similar customers. Hills Fund Management selects brokers based on various factors. The main factors are generally the broker's quality of execution, commission rates, market knowledge and financial condition. Hills Fund Management may also consider factors that benefit Hills Fund Management, such as the broker's referral of prospective investors to Hills Fund Management.

Hills Fund Management may select brokers to execute trades for the Funds that provide certain "soft dollar" benefits to Hills Fund Management in exchange for brokerage fees. Hills Fund Management is generally obligated to pursue "best execution" for its clients, but Hills Fund Management may include the provision of such soft dollar benefits in its determination of best execution. Hills Fund Management will limit its receipt of soft dollar benefits to those that meet the "safe harbor" under Section 28(e) of the Exchange Act – namely benefits relating to trading or research services.

REVIEW OF ACCOUNTS

The portfolios of each Fund are reviewed no less than weekly by Hills Fund Management for compliance with Hills Fund Management's risk management standards and the continued suitability of exiting positions.

As soon as reasonably practicable after the end of each month, the Funds will provide each investor with a report reflecting the estimated NAV of such investor's capital account as of the end of such month as compared with the end of the previous month.

As soon as reasonably practicable after the end of each year, each Fund will provide to each of its investors an audited balance sheet of the relevant Fund as of the end of such year and audited statements of income and changes in financial position of that Fund for such year. In addition, each Fund will provide its investors with such tax information and schedules as are necessary to enable such investor to prepare its federal income tax return.

CLIENT REFERRALS AND OTHER COMPENSATION

Hills Fund Management does not have any arrangements where it is paid cash by or receives an economic benefit from a non-client in connection with giving advice to clients.

Hills Fund Management may enter into agreements with placement agents and agree to compensate them at its own expense on a basis that is fully disclosed to affected investors. Investors acquiring interests in a Fund through a placement agent should not view any recommendation of such agent as disinterested because the agent will generally be paid for the introduction out of the fees Hills Fund Management receives from the Fund. Also, such placement agent should be regarded as having an incentive to recommend that investors remain invested in a Fund, since the agent will generally be paid a portion of Hills Fund Management's fees while such investors remain invested.

CUSTODY

As the managing member of each of the Funds, Hills Fund Management will generally be deemed to have custody of client assets under the applicable Advisers Act rules (despite the fact that Hills Fund Management will never have actual physical custody of such assets). Hills Fund Management will generally comply with the Advisers Act custody rules by delivering audited financial statements for each Fund to its investors within 180 days after the end of each Fund's fiscal year.

In addition, Fund investors will receive, no less frequently than quarterly, statements from the relevant Fund's third-party administrator.

INVESTMENT DISCRETION

Hills Fund Management has full discretionary authority over the investment and trading decisions of each Fund, subject only to the restrictions (if any) described in the Offering Memorandum relating to the applicable Fund.

VOTING CLIENT SECURITIES

As a matter of firm policy and practice, Hills Fund Management does not have any authority to and does not vote proxies on behalf of clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Hills Fund Management may provide advice to clients regarding the clients' voting of proxies.

FINANCIAL INFORMATION

Hills Fund Management is required in this section to provide you with certain financial information or disclosures about its financial condition.

Hills Fund Management has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.